

Essays in Political Economics

Piergiorgio M. Carapella

Ph.D. Thesis

Catholic University of Milan and University of Milan-Bicocca

Supervisor: Prof. Massimo Bordignon

*To myself,
to concreteness*

Acknowledgments

I would like to thank Massimiliano and Luigi for helping me to getting accepted into a Ph.D programme and for giving me the first taste of what doing research in Economics could be.

I am grateful to my advisor for getting me on the right paths during the struggle to find interesting topics for this dissertation and for giving me the opportunity to teach Political Economy. It has really helped me to fall in love with the subject.

I thank my Ph.D colleagues, in particular Daria for being always available to share opinions on our works and giving me suggestions on how to handle the empirical analyses.

Finally, I would like to thank Gilberto Turati, Massimiliano Onorato, Matteo Manera, Fabio Padovano and Aldo Pignataro for the useful comments.

Contents

Introduction	1
1 Tell me what you think. Europeanism in the Italian Parliament: the results of a survey	3
1.1 Introduction	3
1.2 The Survey	5
1.3 Descriptive statistics	8
1.4 European Integration	12
2 The Struggle for Preference Votes: Campaign Spending in Open Lists PR Systems	20
2.1 Introduction	20
2.2 The Model	23
2.3 Institutional background	31
2.4 Empirical Test	34
3 Campaign Spending and Political Outcomes in Lombardy	41
3.1 Introduction	41
3.2 Data	45
3.3 Campaign Spending and Preferences	50
References	58
Appendix A	64
Appendix B	68

List of Figures

1.1	Distribution of Gender	7
1.2	Principal Components Analysis on Economic Policies	15
2.1	District Magnitude	33
2.2	Average expenditure of front-runners by district	36
2.3	Average expenditure of closed list candidates by list position	37
3.1	Elected/Not Elected by Party	48
3.2	Preferences and Total Expenditure	49

List of Tables

1.1	Age, Education and Party Affiliation of MPs	8
1.2	MPs' preferences towards Europe	10
1.3	Fiscal Regulation	11
1.4	MPs' preferences towards European Integration	13
1.5	Predicted values of PCA	16
1.6	Fiscal Regulation	18
2.1	Campaign Spending and Electoral Rules	35
2.2	DID for district enlargement	39
3.1	Summary Statistics by Election	46
3.2	Average Campaign Spending and Finance	47
3.3	Probability of Election, Preference Votes and Total Expenditure . . .	51
3.4	Electoral Outcomes and Total Expenditure for competitive candidates	52
3.5	Electoral Outcomes and Total Expenditure for incumbents and chal- lengers	53
3.6	Panel Regression with Fixed Effects	55

Introduction

The first chapter analyses the preferences of Italian MPs toward Europe and EU fiscal regulation. The growing discontent for the common currency has raised many question on the future of Europe. In fact, the result of the last European election was a Pyrrhic victory of the EPP, but the greater triumph was collected by the several new anti-EU parties that have come to light. This paper explores what are the preferences of Italian politicians for Europe and for fiscal regulation.

The present work employs a unique dataset: I developed an internet-based survey among the Members of the Italian Parliament. The results confirm the important role of party ideology on the preference formation, but also show there are individual characteristics that can influence the position towards Europe. In particular, age and the past work experience of the MP can affect his general European *sentiment* and the propensity for European integration, while newly elected politicians dislike more the current EU fiscal regulation.

The second and third chapter of this dissertation are extremely connected, they both investigate Campaign Spending in Proportional Systems. Chapter 2 develops a theoretical model, whilst the the last chapter refers to an empirical application on Lombardy's Regional Elections.

I analyse how candidates engage in campaign advertising in a PR system with preference votes. The model presents two types of voters, informed and uniformed, two parties with four candidates that are policy motivated and compete in a two seats district. The results of the model are compared to other setup, single district and closed list, and it shows that in open lists intraparty competition drives candidate to spend more on campaign activities.

We found empirical evidence to support the theoretical predictions of the model using an original and self collected dataset on campaign expenditures of candidates to Lombardy's Regional Council from 2005 to 2013. Campaign spending positively

depends on intraparty competition, the candidate position in the list and on the vote share of the party, furthermore, in closed lists the total level of spending is lower.

In the last section we use a differences-in-differences approach to test the effect of district enlargement, and we find that increasing the district magnitude has a negative effect on campaign spending of elected candidates, whilst does not increase the expenditure of less competitive candidates.

The third chapter presents the argument that campaign advertising increases the visibility of a candidate and helps voters in doing more informed voting decisions. Furthermore, the impact of money on electoral outcomes in PR, open list systems, is higher than in first-past-the-post system since for voters its easier to switch preferences among candidates of the same coalition. This work presents an empirical analysis on Italian regional elections. Campaign spending has a strong and significant correlation with the number of preference votes, however, the impact for challengers is decreasing.

I use panel data analysis with individual fixed effects on a sub-sample of 200 candidates. The results confirm that campaign spending increases the number of preference votes, whilst the position in the list does not seem to matter for candidates that run multiple times. I then analyse data on campaign contributions to show that candidates' own money has a negative and significant effect on preferences, while external contributions have a positive coefficient. This could suggest that candidates contributions are a negative signal of the quality of the candidates.

At last, since the vast majority of candidates does not reach the limit by far and the impact of money I suggest that a reform to lower spending limits could mitigate the incumbent advantage.

Chapter 1

Tell me what you think. Europeanism in the Italian Parliament: the results of a survey

1.1 Introduction

In the last few years many factors have contributed to put European Institutions under the spotlight: the financial crisis brought a lot of attention on the fiscal policies of the Member states and how the European Union has to intervene when a Member is in trouble. The ongoing debate about the usefulness of austerity measures and the conflict between different ideas in the European Council has raised many questions on what is the future of these institutions. Furthermore, the recent crises of the Middle East and Ukraine have demanded a strong reaction of the EU, which has become, by all means, a global actor.

For all these reasons the last European election received a lot of consideration as a moment of truth to understand where the EU would be heading. We all have seen the result of the last ballot, namely, the success of a great number of anti-European parties, which in some countries have become the leading party such as the Front National in France and the Independence Party in the UK. This suggests a growing general dissent towards the European Institutions that has to be taken into account, from both politicians and scholars, in the next legislature.

Moreover, after the crisis we have witnessed to a strengthening in the economic governance of the EU as a consequence of the perceived poor fiscal diligence of some Member States. Europe's fiscal regulation has changed a lot, with the introduction of several new reforms, as the European Semester, the Euro-Plus, the Two-Pack

and the Six-Pack¹. Moreover, in 2012, the introduction of the Fiscal Compact had further increased the number and the complexity of the norms of decided at the EU level. Nevertheless, National Parliaments still have sovereign power on fiscal policy, henceforth this two-level responsibility on fiscal regulation creates a tension between Member States and European Institutions, which have increased the concerns on the legitimacy of the latter (Horeth, 1999).

Since EU fiscal regulation is a very complex subject we can assume that citizens suffer of asymmetric information. Hence, it is reasonable to think that voters totally delegates their choices to their representatives which obviously creates an agency problem (Strøm, 2000). Moreover, current MPs have to deal and follow this burdensome regulation that was introduced and legislated by former parliamentarians. This created a problem of accountability and responsibility on fiscal discipline within the Italian Parliament, therefore, understanding what MPs want is even more compelling to be able to forecast what is the future of European Integration.

Furthermore, the Italian Parliament is split into a lot of Parliamentary Groups and there is not a clear majority in the Senate. As an example, the 2013 stability law has passed with a one-vote majority, this means that every vote counts to such a degree that it is important to know the opinions also of backbenchers.

Thus we believe it is interesting to investigate the degree of information of politicians and to elicit their preferences on those rules. To do so, we have implemented an internet based survey among the Members of the Italian Parliament, the results of which are the main objective of this paper.

There are different studies that investigates the attitudes toward EU of European politicians, Heinemann et al. (2009) implemented a survey on the Members of the EP on the willingness to implement a EU tax. They confirm an important role of party ideology and on individual characteristics, whilst they find that National interests overcome the preferences toward European Integration. Conversely, Hix et al. (2012) also with a survey, found that MEPs' political choice depend more on the left-right political dimension than on the national one. The data collected from the European Candidate Study (2009) have contributed to many research projects on the preferences of the MEPs towards Europe and European Integration (De Vries et al., 2011), (Giebler and Wst, 2011).

¹Besides the EU official documents, for an overview of the new rules see Appendix A.

Katz and Wessels (1999) implemented a large survey on National and European MPs of several European Nations to study the differences between the opinions of these two level of government.

Nonetheless, several of these studies focus mainly on the party dimension and try to explain how much the MEPs voting behavior has changed to a left-right scale rather than a national one (Hix et al., 2007). Besides, most of these works concentrate only on the European Parliament, but, since National Parliaments have still sovereignty on fiscal regulation², it is important to understand also the opinion of these parliamentarians.

Our results indicate that EU positions are driven not only by the party scale but also by individual characteristics. In particular, age and the past work experience of the MP can affect his general European *sentiment* and the propensity for European integration, while newly elected politicians dislike more the current EU fiscal regulation, which can suggest that in the future we will witness to increasing political challenges on these rules, both in the European and National Parliaments.

The structure of the paper is as follows: Section 2 presents how the survey was implemented and a comparison between our sample and the real population of the Parliament, while in Section 3 we show a series of descriptive statistics on the main variables for EU integration and fiscal regulation. We conclude with Section 4, in which we present the results from different regression estimation and the discussion of the main findings.

1.2 The Survey

We implemented a self-conducted survey among the Members of the Italian Parliament. The internet-based questionnaire contains 38 questions and the participation was completely anonymous³. Nevertheless, we got some information on the age, education level, gender, party affiliation and past experience of the respondents.

The questionnaire is structured as follows: the first 10 questions contain MPs' personal information. In the second part, we first concentrate on the general sen-

²In accordance with Article 13 of the TSCG, National and European Parliamentarians have to organize a joint conference to discuss EU fiscal regulation.

³Anonymity was guaranteed by the use of a random ID and password given to the MPs to initiate the survey.

timent towards EU and European Monetary Union, then on the preferences about European Integration and EU fiscal regulation. In the third part we focus on the functioning of EU Institutions whilst the last questions of the survey are dedicated to European Stability Mechanism and to EU Enlargement process.

We design the questionnaire to achieve two main purposes, one is to understand the European *sentiment* of Italian MPs and to better comprehend where they stand on the deepening of economic integration. Secondly, we would like to know the preferences and the degree of information⁴ on the newest fiscal regulation that has taken place after the crisis. These rules are often identified more generally as austerity measures, which were one of the main protagonists of the last electoral campaign.

As we were trying to achieve the largest rate of response possible, we first informed about the survey and on its purposes the spokesmen of every party in the Parliament and the Members of the parliamentary Commission on EU policies. After that, we sent an e-mail with all the information about the survey and the link to participate to every MP and then we send a reminder every two weeks for 3 months.

The total of received answers is 110, of which 87 MPs completed only the first part, 79 gave some answers on the EU sentiment, whilst the number of MPs that have completed the whole questionnaire is 72, the 7.6% of the Parliament. This number is not very high but it is common to this type of study. As a comparison, the response rate for Italian MEPs in Heinemann et al. (2009) was 10.78%.

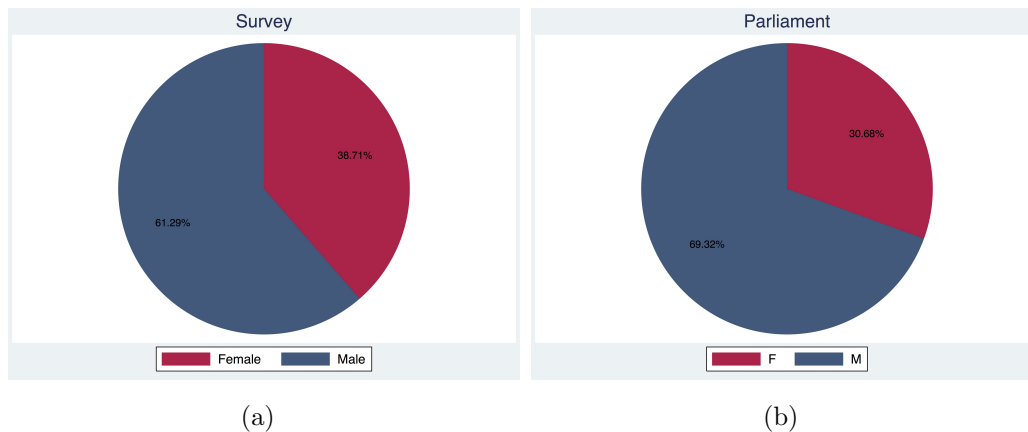
1.2.1 The Sample

In the following pages we present some descriptive statistics on our sample and we compare it with the population of the Parliament⁵. We look at gender, age, education and Parliamentary Groups. If we look at gender, we notice that women are over-represented with respect to the Parliament. To encourage MPs' participation we decided to avoid very precise questions on personal characteristics. As a result we do not have the exact age of the MPs, but we divided age in five classes. Table 1.1 shows that our sample is not particularly biased, but there is an under representation

⁴We think media play a non-negligible role, so there is a set questions on where the MPs take their information.

⁵We collect our own dataset with many personal characteristics on the MPs with the information available on their personal web-pages on www.camera.it and www.senato.it.

Figure 1.1: Distribution of Gender



of over 60, probably due to two different factors: first, more experienced politicians could be engaged in predominant positions in the Parliament and have less time. Second, the use of an internet-based questionnaire may have discouraged older MPs that are, perhaps, less web friendly.

If we look at education, our sample contains more educated MPs, especially, we have a very high ratio of respondent with a Ph.D.⁶. This could influence our inferences if we assume that they have a better understanding of the problem, in particular with respect to economic integration and regulation.

We think also that is important to look at the experience of the MPs, since it could be a significant factor in the preferences towards EU. First, all the MPs from one of the most anti-EU party, the 5-star Movement, are at the first legislature; it is also reasonable to believe that more experienced politicians know better the functioning of the EU institutions, a factor that can also influence the position on fiscal regulation.

Our sample presents a higher percentage of newly elected candidates (75%) while in the Parliament it is near 63%.

At last, we present the distribution of Parliamentary Groups; it seems that our sample is more skewed to the left. In fact, we have a very low number of MPs of the center-right party and consequently an over-representation of the Democratic Party,

⁶The data presented in Table 1.1 represent only the Chamber of Deputies since the Senate website does not differentiate between Ph.Ds. and other University degrees.

Table 1.1: Age, Education and Party Affiliation of MPs

	(1) Male S.	(2) Male P.	(3) Female S.	(4) Female P.	(5) Tot. S.	(6) Tot. P.
Age						
25-29	0.018	0.022	0.083	0.056	0.043	0.033
30-39	0.156	0.130	0.167	0.213	0.161	0.155
40-49	0.386	0.269	0.167	0.311	0.258	0.281
50-59	0.386	0.354	0.389	0.308	0.387	0.340
60 +	0.123	0.225	0.194	0.112	0.150	0.191
Education						
Junior High	0.000	0.019	0.000	0.005	0.000	0.015
High School	0.298	0.307	0.143	0.201	0.239	0.274
University deg.	0.579	0.625	0.743	0.709	0.641	0.651
Ph.D.	0.123	0.050	0.114	0.085	0.119	0.060
Party						
PD	0.500	0.422	0.765	0.559	0.605	0.462
FI	0.076	0.112	0.000	0.098	0.047	0.108
LNA	0.039	0.049	0.000	0.000	0.023	0.031
5-star	0.115	0.154	0.118	0.192	0.116	0.165
SC	0.154	0.083	0.059	0.052	0.116	0.073
Other	0.116	0.18	0.035	0.099	0.093	0.161

Odd columns refer to the survey sample, even columns to the real population of the Italian Parliament (17th legislature)

FI refers to People of Freedom party. The group SC includes both Scelta Civica and Per L'Italia since the two parliamentary groups split less than 6 months before the survey was implemented.

as we can see from Table 1.1.

1.3 Descriptive statistics

In this first part, we present the descriptive of some questions about the general preferences towards EU and EMU⁷. The results show that the 87% of the respondents agree, at least to some extent⁸, to the European Union. Table 1.2 presents the average scores and we see that there is lower consensus for the Common currency and this difference is significant at a 1% level. We could expect this result as we look to the numerous critiques that the Euro has received in the last election.

If we differentiate with respect to education we do not find any significant difference between the preferences for EU and EMU, but in general we note that MPs with a Ph.Ds. are more inclined toward the single currency.

⁷The following results are drawn from questions number 16 and 17 of our questionnaire.

⁸This is a recode of the original question, scores from 1 to 5 are taken as No, from 6 to 10 are taken as Yes.

As expected, the greater differences are founded when we look at party membership, with Lega Nord and 5-star Movement that have the most anti-EU positions. We see that also in the Democratic Party there is lower consensus for the Euro with respect to the European Union. This difference, although small, is significant.

After considering the general sentiment, we would like to know the preferences of the MPs toward European integration. Hence, we proposed them ten policies that we believe are fundamental for the well-functioning of a Member State and we asked what policies they think have to be dealt at the European level rather than at the National one⁹.

We aimed to understand what kind of Europe the MPs have in mind and to comprehend if a real economic integration is achievable.

We can immediately draw some considerations about the preferences of Italian MPs, like the desire that migration should be tackled at the European level; in accordance with this we note that defence is also preferred at the EU level, probably due to the recent crises in the Middle East and Ukraine that needed more involvement of European institutions.

As for economic issues, it seems useful to look closer at three particular policies - taxation, budget and monetary - to better understand if there are significant differences that could prevent a greater economic integration. There are no significant differences between the education level of the MPs and their preference towards European integration, though we can see that politicians with a Ph.D. have a stronger propensity to keep monetary policy at the EU level.

When we look at parties' differences, we find what we expect, namely, the Democratic Party is more Europeanist with respect to the others. What is puzzling is why for the MPs of the Five-Star movement, taxation has to be more European than the monetary policy which is already in place.

1.3.1 Fiscal Regulation

A long-lasting debate is going on about EU fiscal regulation; in the last few years we have assisted to an increase in the complexity of norms and rules that are of arduous comprehension both for citizens and, we assume, for politicians. We decide

⁹We take the idea of this question (number 19) from the European Candidate Study 2009 of the EUI.

Table 1.2: MPs' preferences towards Europe

	(1) EU	(2) EMU	(3) Tax	(4) Unempl.	(5) Budget	(6) Monetary	(7) Migration	(8) Defence
All	9.083 (2.141)	8.806 (2.365)	3.597 (1.469)	4.111 (1.17)	3.875 (1.394)	4.792 (1.618)	5.056 (1.124)	4.958 (1.336)
Age								
25-39	9.090 (1.7)	8.636 (2.203)	4.636 (1.12)	4.727 (1.01)	3.818 (1.328)	4.909 (1.514)	5.545 (0.522)	5.000 (1.183)
40-59	8.902 (2.394)	8.627 (2.584)	3.196 (1.456)	3.922 (1.246)	3.706 (1.432)	4.608 (1.744)	4.961 (1.264)	4.823 (1.438)
60 +	10.00 (0.00)	9.90 (0.316)	4.50 (0.85)	4.40 (0.516)	4.80 (0.919)	5.60 (0.516)	5.00 (0.667)	5.60 (0.699)
Education								
High School	8.895 (2.47)	8.737 (2.663)	3.526 (1.467)	3.947 (1.224)	3.895 (1.449)	4.474 (1.775)	4.947 (1.079)	4.842 (1.424)
University deg.	9.00 (2.199)	8.682 (2.457)	3.614 (1.543)	4.182 (1.244)	3.841 (1.462)	4.841 (1.67)	5.114 (1.205)	4.909 (1.394)
Ph.D.	9.888 (0.333)	9.556 (0.726)	3.667 (1.225)	4.111 (0.601)	4.00 (1.00)	5.222 (0.833)	5.00 (0.866)	5.111 (0.601)
Party								
PD	9.884 (0.391)	9.628 (0.874)	3.884 (1.366)	4.302 (1.081)	4.209 (1.355)	5.326 (1.063)	5.326 (0.892)	5.372 (0.873)
FI	7.667 (2.517)	7.667 (2.082)	1.667 (1.155)	3.667 (1.528)	4.00 (1)	4.00 (1.732)	4.333 (2.082)	4.00 (2.00)
5-star	4.714 (2.752)	3.429 (2.07)	3.571 (2.149)	4.00 (1.528)	2.429 (1.272)	2.143 (2.035)	5.286 (0.951)	4.00 (1.527)
SC	9.800 (0.422)	9.800 (0.422)	3.40 (0.699)	3.70 (0.675)	3.80 (0.919)	4.90 (1.287)	4.20 (0.919)	4.90 (1.449)

Std. Dev. in parentheses

Column (1) and (2) refer to the question "How much do you agree to EU/EMU?" MPs have to put a score from 1 (completely disagree) to 10 (completely agree). Column from (3) to (8) refer to how much the single policies have to be dealt at the European Level or at a national one. MPs had to give a score from 1 to 6. Higher values mean the policy should be managed at the European Level.

to add some questions on these new rules, to see whether we can find some systematic element that can explain the propensity for fiscal regulation.

We concentrate on five different norms that we thought were important and also easily explainable in a survey question. The first one is based on the article of the Fiscal Compact that obliges the Member state to include the principle of balanced budget in a national law, preferably at the Constitutional level. In 2012, the Italian Senate approved with a large majority the introduction of the balanced budget by modifying the *Art 81* of Italian Constitution, which refers to the national budget. The third question was on the *Two-pack* regulation. In particular, the question was about to the simultaneous presentation of the stability law to the EU Commission and the National Parliament¹⁰.

We also add two question on the two different thresholds for the deficit/GDP ratio. Table 1.3 presents the descriptive statistics on these variables, divided by sex age and education.

Table 1.3: Fiscal Regulation

	Fiscal Compact	Art.81	Two-pack	Deficit 1	Deficit 2
Total	0.69 (0.47)	0.59 (0.49)	0.82 (0.38)	3.59 (1.66)	3.4 (1.66)
Male	0.74 (0.44)	0.67 (0.47)	0.78 (0.42)	3.63 (1.67)	3.4 (1.8)
Female	0.59 (0.5)	0.42 (0.5)	0.91 (0.29)	3.5 (1.7)	3.375 (1.38)
Diploma	0.68 (0.5)	0.68 (0.5)	0.59 (0.29)	3.5 (1.7)	3.375 (1.38)
University	0.65 (0.48)	0.58 (0.5)	0.9 (0.3)	3.42 (1.78)	3.31 (1.78)
Ph.D.	0.89 (0.33)	0.44 (0.53)	0.89 (0.33)	4.22 (1.48)	3.78 (0.44)
25-29	0.53 (0.52)	0.25 (0.45)	0.73 (0.47)	2.92 (1.38)	3.17 (1.4)
40-59	0.7 (0.46)	0.65 (0.48)	0.89 (0.38)	3.73 (1.69)	3.45 (1.69)
60+	0.82 (0.4)	0.7 (0.48)	0.89 (0.3)	3.7 (1.83)	3.4 (1.35)
First Leg.	0.63 (0.4)	0.5 (0.50)	0.79 (0.40)	3.55 (1.80)	3.37 (1.81)
Re-elected	0.89 (0.32)	0.89 (0.32)	0.89 (0.32)	3.77 (1.16)	3.5 (1.20)

The first three variables take value 1 if the MP agrees with the rule, 0 otherwise. *Deficit-1* is about how much the MP think that the rule of deficit/GDP ratio < 3% is strict whilst *Deficit-2* is on the structural deficit/GDP ratio below 0.5%. The MPs had to give a score between 1 and 10, where 1 is too tight and 10 is to loose.

¹⁰See appendix A.

We can see that the change in article 81 of the Italian Constitution is the rule that has the lower consensus in all the different sub-samples and it is particularly low for MPs at the first mandate that did not participate during the legislation process, in fact, 89% of re-elected MPs agree to change in the Constitution, while this percentage fall to 49% for new MPs.

It is worth to underline that, even if the change in article 81 derive from the Art.3 c.2 of the Fiscal Compact, the Member States had some degree of freedom in its implementation in the National law and Italy had transposed the balanced budget principle in her Constitution in the strongest way possible with respect to other EU countries. In fact, as a comparison Germany and France decided to include the principle into an ordinary law. In Spain the new Constitutional rule will take place only from 2020. Hence, the low consensus that we have registered could be a sign of resentment from Italian MPs that have realized how much the new Constitutional law is binding.

It also seems that for Italian MPs the two different rules on Deficit/GDP ratio are too strict but they do not prefer one to the other. We can identify a pattern in the sub-groups: highly educated MPs give a higher score to both indicators, moreover, it is worth noting there is a bigger difference with the two scores than in any other group. We can think they may have a deeper understanding of the rules and of the complicated mechanism that is behind the structural deficit/GDP ratio.

In general, we can say that the respondents of our questionnaire seem in favor of EU regulation¹¹, which is a bit in contrast with respect to the current political debate. As a matter of fact, only 13% of our sample declares that the first priority of the European Semester¹² is to review the Growth and Stability Pact, which was one of the first priorities also for the Democratic Party during the last electoral campaign.

1.4 European Integration

We now present the results of several regression analyses that we performed to understand if there are systematic components that influence the preferences of the politicians toward EU and EU fiscal regulation. As already said, the respondent

¹¹We can also say that 67% of our sample agree to the Excessive Deficit Procedure.

¹²The survey was concluded two months before the beginning of the Semester of Italian Presidency of the European Council.

could give a score from one to ten on how much they agree with EU or EMU, and a score from one to six on how much the single economic policies have to be managed at the European Level ¹³. Given the ordinal nature of these variables we use ordered probit regression and Table 1.4 presents the results.

At first, we would like to look at the general propensity towards EU and the common currency.

Table 1.4: MPs' preferences towards European Integration

	(1) EU	(2) EMU	(3) Tax	(4) Budget	(5) Monetary	(6) Unemployment
40-60	-1.771** (0.452)	-0.965* (0.399)	-1.154** (0.280)	-0.640* (0.259)	-0.570 [†] (0.303)	-0.524* (0.261)
male	0.912** (0.329)	0.732* (0.298)	0.0121 (0.277)	0.724** (0.263)	0.459 (0.302)	-0.329 (0.271)
diploma	0.274 (0.440)	0.0742 (0.339)	-0.233 (0.299)	-0.135 (0.307)	-0.591 [†] (0.322)	-0.354 (0.317)
5-star	-2.871** (0.645)	-2.881** (0.706)	0.297 (0.586)	-1.036* (0.444)	-1.855** (0.641)	0.279 (0.563)
PD	1.670** (0.442)	0.722* (0.342)	0.631* (0.276)	0.596* (0.274)	0.649* (0.300)	0.405 (0.308)
first leg.	0.929 [†] (0.477)	0.485 (0.348)	0.236 (0.303)	-0.158 (0.287)	-0.434 (0.353)	-0.256 (0.287)
public	0.166 (0.359)	0.173 (0.359)	-0.900** (0.278)	-0.0960 (0.298)	-0.148 (0.312)	-0.390 (0.388)
pseudo- R^2	0.341	0.233	0.110	0.052	0.10	0.14
N	72	72	72	72	72	72

Robust standard errors in parentheses [†] $p < 0.1$, * $p < 0.05$, ** $p < 0.01$
Column (1) and (2) refer to the question "How much do you agree to EU/EMU?" MPs have to put a score from 1 (completely disagree) to 10 (completely agree). Column from (3) to (6) refer to how much the single policies have to be dealt at the European Level or at a national one. The scores given by the MPs are used as dependent variables.

We find that only two variables have a significant coefficient; MPs between 40 and 60 years old are more reluctant to both EU and Euro. Furthermore, as expected, members of the Five-Star movement are firmly against the European Union.

After we have looked at the general preferences towards EU, we implement also some estimations for the single policies of question 19¹⁴. As we can see from Table 1.4, MPs with a past in the public sector prefer to keep taxation at a national level; this is maybe because they represent public workers which are the ones that would immediately suffer from a tax reform and hence could more scared to leave taxation

¹³We refer to questions 16, 17 and 19. See Appendix B.

¹⁴See Section 3 to recall what policies we used.

to the European institutions¹⁵.

We find a positive and significant effect of age; we think this reflects the possibility that middle aged MPs are in the highest peaks of their careers and are obviously more sensible to a change in the taxation system.

Another interesting result is that being a member of Five-Star Movement has no significant effect on taxation. This is the only policy in which we find this result, but we have seen this effect also in the descriptive statistics; it is a peculiar outcome because MPs of this party have always declared their opposition to Europe.

At last, we do not find any significant effect on unemployment, however the model performs poorly.

1.4.1 Factor Analysis

One of the objective of this paper is also to find which individual characteristics can influence the process toward European integration; the problem is how to measure Europeanism. Since we have a lot of information about the preferences of the MPs we would like to put them together to create a sort of index. In particular, as we are interested in economic integration, we use six questions that are the most significant in this matter.

With respect to the ten policies that we explained in section 1.3 we chose: taxation, budget, monetary policy, trade, unemployment and how much the European Parliament needs new powers on fiscal policy¹⁶.

To collapse these questions in only one index we use *Principal Component Analysis* that can help us to extrapolate the most important patterns and components from the single variables¹⁷. Given the discrete nature of the variables we used polychoric PCA as suggested by Kolenikov and Angeles, (2004).

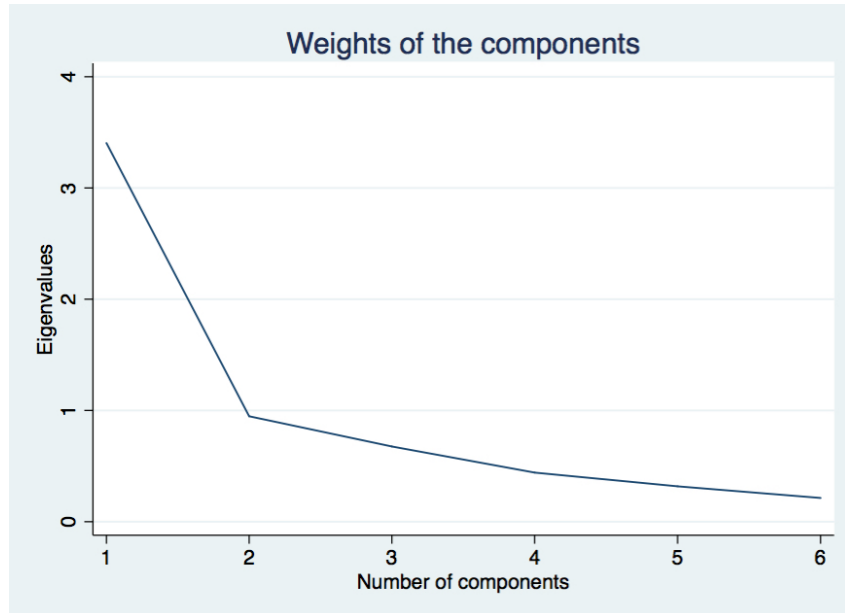
Figure 1.2 shows that we have one very essential component that links positively all six questions and we could call it the European "sentiment" and it explains the 52% of the variance. Instead, the second component links negatively taxation and

¹⁵Another possible explanation is that moving taxation at the European level could diminishes the lobbying power of public sector's unions.

¹⁶See question 29b. As already explained, higher values of these variables coincide with more European intervention.

¹⁷We also implement different specification leaving out some variables, however the results of the first component are always the same.

Figure 1.2: Principal Components Analysis on Economic Policies



unemployment to the rest of the questions; since these two policies are the one that probably influence more the day-to-day life of the citizens, we think this component can be considered as the "crisis effect". In fact, following the political debate, the EU Institutions were often blamed for the inactivity after the financial crisis and the consequent raise in the unemployment rate. These two components explains almost 72% of the variance.

To construct the index we predict with PCA tools the fitted values of the two components and we use them as dependent variables¹⁸.

¹⁸Higher scores mean a more European point of view. We also construct manually seven different indexes with the score of the different questions, nevertheless, all the results coincide with the PCA predicted values.

Table 1.5: Predicted values of PCA

	(1)	(2)
	Europeanism	Crisis Effect
40-60	-1.041*	-0.413 [†]
	(0.400)	(0.219)
male	0.469	-0.525*
	(0.403)	(0.221)
diploma	-0.687	0.0679
	(0.444)	(0.243)
5-star	-1.238 [†]	1.152**
	(0.677)	(0.371)
PD	1.003*	-0.0235
	(0.416)	(0.228)
first leg.	-0.187	0.199
	(0.440)	(0.241)
public	-0.512	-0.416 [†]
	(0.436)	(0.238)
R^2	0.283	0.311
N	72	72

Robust standard errors in parentheses [†]
p<0.1, * p<0.05, ** p<0.01

We find that MPs between 40 and 60 years old are more nationalist than the others, our interpretation is that middle aged MPs maybe are more engaged in economic activities and prefer to intervene directly in these kind of reforms. Also with PCA we find that being a member of the Five-Star Movement decreases the European "sentiment".

For the second component we see that age is no longer significant, but sex has a positive coefficient; it could be that males have suffered less from the crisis and seize mobility across Europe as a real possibility for employment. We also find that working in the public sector has a negative impact on the second component.

1.4.2 EU Fiscal Regulation

In this section we analyze MPs' attitudes towards fiscal compact regulation, the modification in art.81 of Italian constitution and the *Two-Pack*¹⁹

We see that less educated MPs are more against the Two-pack, this is one of the only education effect²⁰; considering the several modifications and additions which have occurred to the SGP, it has become harder to have a full comprehension of EU fiscal regulation. Hence, we can think that politicians with a lower level of education could be more hostile because they do not completely understand it.

We are also interested in the degree of information of the MPs on these rules, but, since the survey was internet-based, we cannot ask them very direct questions; however, we suppose their knowledge could be affected by the type of media the politician uses most frequently. As we can see from Table 1.6 there is a negative correlation between fiscal regulation and the use of internet as primary media. We use the following probit model:

$$\text{Prob}(Y = 1|X_i) = \Phi(\beta_0 + \beta_1 X_i)$$

Where the dependent variable assumes value 1 if the respondent agree to the particular fiscal regulation and zero otherwise.

Beyond the usual parties' effects for which the Democratic Party is Europeanist, we find that newly elected MPs are more reluctant to all three regulations. In fact, the probability to agree to the modification of Art.81 decrease of 36% if the respondent is at the first legislature; for Two-pack the marginal effect is smaller but still around 20%.

These results can be explained by the fact that experienced politicians may have voted these regulations and are now less likely to express a negative opinion. On the contrary, newly elected politicians may carry the growing dissent around the austerity; although before we have said that only 13% of our sample stated that the priority of the European semester is to overcome the fiscal compact, if we consider also these results we believe that the thrust of the younger and inexperienced MPs could thrust to debate and reconsider EU fiscal policies.

¹⁹See section 1.3.1 for more details on these variables.

²⁰The less educated MPs in our sample have a high school diploma. The marginal effect tell us that having a diploma decrease the probability of agreeing with this measure of 33.5%.

Table 1.6: Fiscal Regulation

	(1) Art. 81	(2) Fiscal Compact	(3) Two-Pack
middle	0.406 (0.370)	0.177 (0.388)	0.995* (0.486)
public	-0.803* (0.363)	-0.843* (0.406)	-0.607 (0.597)
male	0.673 [†] (0.381)	0.944* (0.414)	-0.924 (0.717)
diploma	-0.314 (0.427)	-0.855* (0.398)	-2.221** (0.627)
PD	0.110 (0.337)	0.992** (0.374)	1.503** (0.491)
first leg.	-1.203* (0.490)	-0.894* (0.443)	-1.260* (0.589)
internet	-0.616 [†] (0.357)	-0.859* (0.383)	-0.586 (0.493)
pseudo- R^2	0.209	0.252	0.395
N	72	72	72

Robust standard errors in parentheses [†] $p < 0.1$, * $p < 0.05$, ** $p < 0.01$.

The table presents coefficients of probit regressions, not marginal effects.

Conclusions

We have constructed a unique dataset based on a survey among the Members of the Italian Parliament that has enabled us to identify some components of the preferences towards the European Union and fiscal regulation. Although our results confirm that a large role of party ideology, also individual characteristics of the MP play a role.

We construct a synthetic index of Europeanism and economic integration based on the preferences of the politicians by using Principal Component Analysis. We have been able to identify two principal components that drive this process, one is the willingness for European integration, or European "sentiment" that link positively all the economic policies, while the other could be seen as the *crisis effect*, since it is focused on taxation and unemployment. We find that middle aged politician are more reluctant to grant more powers to the European institutions. Furthermore, it is worth mentioning that politicians with a past in the public sector prefer to keep

taxation policy at a National level, maybe because they are worried to loose their lobbying capability.

At last, we want to underline that newly elected politicians are more contrary to the current EU fiscal regulation. Being at the first legislature decrease the probability of agreeing to the fiscal compact by 20%. If we combine this with the anti-austerity discussions that have taken place during the last European election campaign, we believe there would be a push to renegotiate part of the current fiscal regulation by Italian MPs.

We are aware of the limitations of our research, the sample is limited and the survey was internet-based and could have discouraged some MPs to participate. However, we think these results are a first step to understand what Italian MPs' preferences on Europe are and, as a consequence, what would be the future of European institutions.

Chapter 2

The Struggle for Preference Votes: Campaign Spending in Open Lists PR Systems

2.1 Introduction

The question of how campaign finance influence politics, the selections of politicians, and policy implementation is obviously a very important issue. The perception that policies and politicians can be influenced by interest groups is one of the most serious concern regarding the functioning of modern democracies, in particular given the increasing concentration of wealth and income experienced in the last twenty years (Fisher, 1999).

The topic has been extensively addressed, especially in the U.S., which has been traditionally characterized by limited public funding of parties or candidates, and by large donations by corporations and individuals. However, the subject is now receiving increasing attention even outside the U.S., given the gradually switch from public funding to private ones happening also in Europe. Moreover, the results on the U.S. majoritarian system are not immediately transferable to other systems, given the large heterogeneity in electoral systems and other political dimensions.

Very few studies have asked the same questions in other contexts, for example under proportional (PR) electoral systems. As an exception, Benoit and Marsh (2002) studied the Irish elections, while Cox and Thies (2000) the Japanese one. They both find a positive and significant correlation between electoral outcomes and campaign spending, with a larger impact of money on votes with respect to the majoritarian system. This issue deserves further investigation, because one would expect that the

mechanisms and incentives for political financing are different under a PR system. In particular, with PR and open lists, the effect of intraparty competition (Cox and Thies, 1998) should be much more relevant. With preference votes, the main opponent is within the same party¹, hence it should be easier for voters to switch their vote between candidates of the same party. This suggests that money should matter more for the political outcome under PR system. On the other hand, in this system it becomes harder for politicians to differentiate themselves on policy positions, since their ideology has to be concordant with the party line (Maddens et al., 2006), hence it is very costly for the candidates to signal their preferred policy.

The present work aims to analyse the mechanism of campaign spending in an open list PR system and to compare the results under different electoral rules. In the theoretical literature, very few studies have analysed campaign spending in PR system. We refer to Grossman and Helpman (1996), that studied the optimal contributions by special interest groups in a two party setup with closed list. There is a lot of literature that investigates the relationship between campaign spending and electoral outcomes, we address it in detail in chapter 3.

The novelty of our contribution is twofold: no previous work have analysed campaign spending under different electoral rules and secondly we are able to test our theoretical framework using an original dataset on campaign contributions of Lombardy's Regional elections². To the best of our knowledge, no previous work has been done on this country. Italy is very compelling for two reasons: it is gradually moving to a private funding system, so that any work studying the effects of funding on electoral outcomes might be useful in predicting the effect on future national electoral competitions. Secondly, the electoral law of regional elections has changed during the analysed time frame, which give us an interesting element of variability to test both theoretically and empirically.

The structure of the paper is organized as follows. The next section illustrates the baseline model, the equilibrium and the comparisons with other electoral rules. Then we provide a short institutional background on Lombardy's Regional Council and on the electoral laws. Section 2.4 concludes with tests of our theoretical predictions.

¹In open-lists candidates have to gain preference votes and they share the party's electoral base.

²Our dataset contains almost 3000 observation on three different elections, (2005, 2010 and 2013).

2.1.1 Campaign spending, a variety of issues

Campaign spending is a very complex subject with multiple issues that has been addressed in different works in the literature. Besides the concerning implications on policy distortion that we mentioned above, the impact of campaign spending on electoral outcomes, the informational content and the welfare implication of spending limits have been extensively investigated, with controversial results.

Does money matter? As cited above, Jacobson (1978), with his pioneering investigation on congressional elections, stated that the impact of money is far more important for challengers than for incumbents, since the latter have already use their term in office to publicize themselves to the voters, whilst challengers should use campaign advertising to overcome the incumbency advantage. Jacobson's findings were criticized by Green and Krasno (1988), the authors, using the same data, affirmed that, once challenger quality has been accounted for, incumbents have positive and significant returns from campaign spending.

On the same topic, Erikson and Palfrey (1998) concentrated on estimating the actual incumbency advantage obtained from campaign spending. They found that money is very important for re-election but the effect decreases with seniority. More recently, Bombardini and Trebbi (2011) using a bilateral bargaining model between interest groups and U.S. congressmen, estimated that an additional vote cost nearly 145 dollars.

On this topic, moving from U.S. to proportional systems, we find less literature, due probably to the lack of organized data. We would like to cite Cox and Thies (2000) on Japanese election, Maddens et al. (2006) on Belgium and Benoit and Marsh (2002) on Irish general election. All three studies have found positive and significant effect of campaign spending on electoral outcomes and the impact is rather higher with respect to U.S. However, except for Cox and Thies (2000) the other studies have used only one electoral competition understating the effect of unobserved heterogeneity and leaving space for further research on the topic.

Prat et al. (2010) investigated the informational benefit of campaign finance. Using data from North Carolina State election they assess that small contributions are a positive signal of candidate quality, whilst large contributions and party funds have a negative effect on legislators' effectiveness. Therefore, they suggest that the informational argument against public funds does not hold. Also Roemer (2006) suggests

public financing will increase redistribution policies and the median voter will be better off with respect to private contributions.

On campaign spending limits, Coate (2004*b*) finds that a trade-off may arise. Contribution limits reduce campaign spending but it decreases the probability that parties will select more moderate candidates and this process redistributes welfare from moderate and swing voters to members of interest groups who can spend less in campaign finance. Pastine and Pastine (2012) instead show that a limit on campaign spending helps in leveling the competition between incumbents and challenger only if challengers' campaign spending is more effective, the incumbent advantage is not too high and the limit is mild. In all other situations the limit skews the competition in favor of the incumbents.

2.2 The Model

In a multiseat and open lists system, the main opponent is from the same party, so it is less costly for voters to switch preferences among politicians of the same coalition. Furthermore, as well established in the literature, with preference votes, it is more complex for politicians to distance themselves on policy positions, because the party label has not the same efficacy as in majoritarian system (Katz, 1985). We also may add that as the district magnitude increases and having a limited policy space, it becomes very difficult for candidates to be able to differentiate themselves from their opponents. Therefore, money is a very important factor also in PR system and it is very compelling to analyse what drives campaign spending in this system with respect to majority voting.

We take as a reference the model on Grossman and Helpman (1996*a*), which have analysed campaign financing of interest groups in proportional system but with closed list, so the main focus is on the parties' decisions. We take some intuitions of Cox and Thies (2000), especially the idea of the campaign cost function, that had a similar environment but they focus their analysis mainly on the difference between incumbents and challengers, leaving out the party line.

What is different is that we have a open list-PR system with preference votes. There are two coalitions (parties) $Z = [L, R]$ a right wing and a left wing. Politicians policy positions are randomly drawn in $[0, 1]$ for the left coalition and in $[1, 2]$ for the

right.

There are two agents, voters and politicians. They both maximize their utility. Candidates utility is given by the preference function and the cost of campaigning. A candidate obtains a preference vote only if the voter writes fully his name in the ballot paper. We think that preference votes are the objective of the candidates, because, if they obtain enough votes, it increases their political capital. Therefore they can use preference votes as leverage with the party for future office appointments, even if they do not win a seat in the current election.

Timing is as follows:

- $t=0$ Candidates' policy positions are randomly drawn from $[0,1]$ for leftist candidates and from $[1,2]$ for the rightist ones
- $t=1$ Politicians engage in campaign advertising
- $t=2$ Voters observe campaign spending and policy positions and vote

The baseline model exploits a two-seat district. We will explain the difference with single district and then we will expand the analysis to closed lists system. Since it is a two-seat district, the coalitions present two candidates each, j^L , k^L and j^R , k^R .

Voters

As in several works in the literature (Baron, 1984), we assume there are two types of voters, informed and uninformed, and there is a continuum of voters that for simplicity we normalize to one.

Informed Voters

There is a fraction α of informed voters, whose utility derives from politicians' policy position $q_{j,k}$ and can observe the individual spending of the candidate. They are ideologically biased, so a fraction ℓ will always vote for coalition L . We are assuming an Hotelling-Downs electoral competition where politicians policy position are randomly drawn. Furthermore candidates are not able to change their policy once elected. Informed voters utility is influenced by candidates' policy positions

and individual spending.

Policy position and informed voters are uniformly distributed in $[0, 2]$, the fraction ℓ in $[0, 1]$ and $1 - \ell$ in $[1, 2]$. There is asymmetric information between politicians and voters, hence, due to intraparty competition, politicians have to advertise their policy position to informed voters.

Informed voters have heterogenous preferences over the policy. Their utility is given by:

$$U^i = -|q_i - q_{j,k}| + \theta C_{j,k} \quad (1)$$

where q_i is the preferred policy position of the voters and $C_{j,k}^{L,R}$ represents campaign spending activities. We assume that a voter is better off when he knows the candidate. His knowledge increases with campaign advertising (Coate, 2004b).

$\theta(S) \in [0, 1]$, is a parameter of intraparty competition, which is an increasing and concave function of S , the number of seats in the district.

The higher is θ the more politicians' are perceived as substitutes by the voters, hence campaign spending become more important for the voting decision.

Furthermore, we impose, without loss of generality, that $q_j \leq q_k$. Hence the voter who is indifferent between the two policy will satisfy the following condition:

$$U^i(q_j) = U^i(q_k)$$

so his preferred policy position would be:

$$\bar{q}_i = \frac{q_k + q_j + \theta(C_j - C_k)}{2} \quad (2)$$

By assumption all the voter to the left of $\bar{q}_i$ will vote for j . So the vote shares of the two leftist candidates are:

$$\pi_j^L = \frac{q_k + q_j + \theta(C_j - C_k)}{2} \quad (3)$$

$$\pi_k^L = 1 - \frac{q_k + q_j + \theta(C_j - C_k)}{2} \quad (4)$$

Uninformed voters

On the other hand, the fraction $(1 - \alpha)$ of uniformed voters is influenced only by the overall spending of the coalition in the district, which is the sum of individual spending. They can be ideological biased with σ^i that is uniformly distributed in $\left[-\frac{1}{2\phi}, \frac{1}{2\phi}\right]$ (Persson and Tabellini, 2000).

A generic uninformed voter will vote for coalition L if:

$$C^L \geq C^R + \sigma^i$$

where $C^L = \sum_{j,k} C$. Hence, the fraction of uniformed voters that will vote for coalition L is given by:

$$\Pi^L = (\text{Prob } \sigma \leq \bar{\sigma}) = \phi \left(C^L - C^R + \frac{1}{2\phi} \right) \quad (5)$$

Since uniformed voters cannot observe directly the candidate, once they have decided for which coalition they would like to vote, they vote for politician j with some probability p_j , which positively depends on the candidate's relative position in the list. We assume that uninformed voters consider the candidates' position in the list as a positive signal of quality, therefore they are more inclined to vote for candidates that are better positioned in the list.

In our baseline model we have two candidates, hence $p_k = 1 - p_j$, furthermore we assume that these probabilities are the same for the two coalitions, hence $p_j^L = p_j^R$.

Politicians

Candidates maximize their utilities which is given by the total number of preference votes $H(\cdot)$ minus the cost of fundraising $K(\cdot)$. Hence the objective function is:

$$V_{j,k}^{L,R} = H(\alpha, \ell, \theta, q, C) - K(C, \ell) \quad (6)$$

Every candidate runs if $V \geq 0$. Hence candidate j^L will maximize:

$$\max_{C_j} V_j^L = \alpha \ell \pi_j^L + (1 - \alpha) p_j \phi \left[C^L - C^R + \frac{1}{2\phi} \right] - K(C, \ell)$$

$K(C, \ell) = \frac{C^2}{\ell}$ is a cost function of fundraising, and costs are decreasing with the party vote share ℓ , that is, the fraction of informed voters who vote for coalition L .

Fundraising is a costly activity due to the opportunity cost, in fact, politicians have to spare time from campaigning to participate in fundraising events, make promises to interest groups and so on (Baron, 1989, Cox and Thies, 1998).

Equilibrium

At first, we analyse the equilibrium levels of spending if the informed voters are equally divided between the two coalition, hence $\ell = \frac{1}{2}$. Maximizing equation (6) we find that in close races politicians have symmetric levels of spending equal to:

$$C_j^{L,R} = \frac{1}{4} \left(\frac{\alpha\theta}{4} + (1 - \alpha)p_j\phi \right) \quad (7)$$

$$C_k^{L,R} = \frac{1}{4} \left(\frac{\alpha\theta}{4} + (1 - \alpha)p_k\phi \right) \quad (8)$$

Once we have found the optimal campaign spending we can find the preference votes of the candidates. If coalition are symmetric $C^L - C^R = 0$, hence we have:

$$H_j^L = \frac{1}{2}\alpha \left[\frac{q_k + q_j + \frac{1}{4}\phi(1 - \alpha)(p_j - p_k)}{2} \right] + (1 - \alpha)p_j \quad (9)$$

$$H_k^L = \frac{1}{2}\alpha \left[1 - \frac{q_k + q_j + \frac{1}{4}\phi(1 - \alpha)(p_j - p_k)}{2} \right] + (1 - \alpha)p_k \quad (10)$$

the results of the maximization can be easily interpreted. The two coalition will get each one candidate elected, furthermore, candidate j^L gains more preference votes if $p_j \geq p_k + \lambda$, with $\lambda = \frac{\alpha - \alpha(q_k + q_j)}{\theta(1 - \alpha)(\frac{1}{4}\phi + 1)}$. If the candidates converge to the median on policy positions, than j^L will obtain more preference votes if $p_j \geq \frac{1}{2}$.

It is pretty straightforward to generalize for unknown party shares. We have asymmetric level of spending, which depends on the expected vote share of the coalition. For sake of simplicity we write only the optimal level of spending for candidate j^L that is:

$$C_j^L = \frac{\ell}{2} \left(\frac{\alpha\theta\ell}{2} + (1 - \alpha)\phi p_j \right) \quad (11)$$

Therefore spending is increasing in the vote share of the party, whilst it is in-

creasing in intraparty competition and in the probability of receiving a vote from uninformed voters. The lower in the list the politician is, the less he spends on campaigning activities.

Also with asymmetric coalitions candidate j^L obtains more preference than the opponent if $p_j \geq p_k + \lambda_1^3$. After having outlined the main results of the baseline model we can state the first proposition:

Proposition 1: Individual campaign spending is increasing in the vote share of the party, in intraparty competition and in the candidate's relative position in the list.

Corollary 1: Once they have maximized their campaign spending, candidate j obtains more preference votes if $p_j \geq p_k + \lambda$.

Comparative Statics

One of the main objective of this paper is to compare the determinants and the level of spending in PR system under different electoral rules. We do two main comparisons, the first with single districts and the second with closed list, we then sketch a tentative solution for a case of district enlargement, that is if the district switches from two seats to N seats.

Single District

In a single district there will be no intraparty competition, hence $\theta = 0$. We now have only two candidates, one for each coalition, and the objective function of the leftist is:

$$V^L = \alpha\ell + (1 - \alpha)\phi \left[C^L - C^R + \frac{1}{2\phi} \right] - K(C, \ell) \quad (12)$$

which yields to the optimal level of spending in single district that is:

$$C^L = \frac{\ell}{2} (1 - \alpha) \phi \quad (13)$$

³In the general case $\lambda_1 = \frac{\alpha\ell - \alpha\ell(q_k + q_j)}{\frac{\theta\alpha\ell^2\phi}{2} - \frac{\theta\alpha^2\ell^2\phi}{2} + \phi\Delta C + \frac{1}{2} - \alpha\phi\Delta C - \frac{1}{2}\phi^2}$, however, the same theoretical considerations of the symmetric equilibrium apply also in this case.

Comparing this result with the two-seat equilibrium of the previous section we can state:

Proposition 2: In two-seat district candidate j will spend more if $p_j \geq 1 - \frac{\alpha\theta\ell}{2}$

Therefore, if the candidate's position in the list is not good enough, he will spend less with respect to the single district.

If we compare front-runners⁴ in a large district, we could assume that $p_j \simeq 1$, the inequality is satisfied for every $\theta > 0$, this implies:

Corollary 2: Front-runners in large districts will always spend more with respect to their counterparts in single districts, due to intraparty competition.

In the next section we provide an empirical test of this result.

Closed Lists

In closed list politicians do not have to gain directly preference votes. In particular, we can use the same theoretical model to predict the level of spending in closed lists. In this framework, we are assuming that coalitions want to maximize their number of seats (Grossman and Helpman, 1996), which, for coalition L, is given by:

$$\begin{aligned} \max \quad & S^L = \alpha\ell + (1 - \alpha)\phi \left[C^L - C^R + \frac{1}{2\phi} \right] \\ \text{s.t.} \quad & C^L - K(C, \ell) \leq 0 \end{aligned}$$

Intraparty competition does not arise since politicians do not campaign on policy positions. They are covered by the party label as in single district. The optimal level of spending for the coalition is indeed the same as in single district, but is divided among the two candidates in the list.

$$C^L = \frac{\ell}{2} (1 - \alpha) \phi \tag{14}$$

⁴By front-runners we intend the first candidate in the list.

If the coalitions are symmetric, both coalitions gain one seat, reserved to the firsts in the list⁵. Thus front-runners spend C^L and the other candidates spend nothing. To generalize with asymmetric party shares, for simplicity we assume that is a majority premium mechanism, so the left coalition gets two seats if $S^L - S^R > 0$. This will happen if the vote share is large enough, in particular if $\ell > \nu$, with $\nu = \frac{2\alpha + \phi - 1 + \phi\alpha}{2\phi - 2\phi\alpha + 2\alpha}$. However, this threshold is unknown *a priori* as it depends on ϕ , so we ensure that both coalitions will spend in campaign activities.

There is a free-riding issue that arise since the second candidate increases his utility if he does not spend anything in campaign activities. The best strategy for the second candidate is always to not engage in campaign advertising.

Therefore, we can state:

Proposition 3: In closed list, the total level of spending is lower with respect to open list and only the front-runner in the list bears the cost of campaign spending. Furthermore, if $\ell > \nu$ the second candidate will get elected without spending anything.

There are interesting shortcomings of this effect on the selection of candidates with closed list system, which we would like to address in future research on the topic. It could be interesting to understand if this electoral rule can affect the quality of elected politicians *via* campaign spending. In fact, it is assumable that during the time dedicated to fundraising the candidates undergo a first stage of vetting process by donors and voters. If in closed list challengers do not have to raise money, they do not have to be recognized by voters and interest groups, which could affect the quality of candidates selected by the parties.

Redistricting

Now, as we have seen before, if the number of seats increases, from one to two, candidates will spend more depending on their position in the list. If their are strong enough, they will spend more with respect to their colleague in single district. However, suppose that there is a change in the electoral law and the district magnitude

⁵In closed lists candidates are elected as their order in the lists.

changes from two to N . What will happen in this case? Our intuition is that there will be different reactions with respect to the candidates' position in the list.

As an example we take the front-runner, e.g. j^L : on one hand if the district size enlarges, this increases also the level of intraparty competition. On the other hand, his p_j spikes since he is now a front-runner in a very large district, so this suggests that since he already won the election in a two seats district, he will surely win again in a larger district. Therefore he has an incentive to spend less on campaign activities.

Instead, a candidate that was second in a two-seat race, has now more probability of winning a seat if there is a district enlargement, so he will spend more on campaign activities.

Conjecture 1: District enlargement has different effects for front-runners and for challengers. The former will decrease campaign spending while the latter will increase it.

In the next section we provide a short institutional background of Lombardy's electoral laws and then we provide several empirical test of our theoretical predictions.

2.3 Institutional background

Lombardy is one of the biggest and wealthiest region in Italy. The Regional Council of Lombardy is composed by one legislative chamber of 79 councilors which are elected in 12 provincial district, it is headed by the President which is directly elected as the candidate of the winning coalition. The legal duration of the council is five years and the elections we are taking under scrutiny are the ones of 2005, 2010 and 2013⁶. In these elections the coalition of center-right has won all three times, in the first two with a large victory, in 2010 with more than a 20% difference in the vote share.

The first two elections were held under the *Tatarella* electoral law⁷, which is a

⁶In 2012 the council was dismissed for a scandal that involved the former President and other councillors.

⁷The law n.43 of 1995, commonly known as *Tatarellum*, reformed all regional elections in Italy, by introducing the direct election of the Region's President.

quite complicated mix of majority and proportional representation and contains open and closed lists. It worked as follows: the President of the Region is directly elected through a majoritarian system, while Regional Councilors with a mixed system. The $\frac{4}{5}$ of the seats (64) were assigned with a proportional mechanism based on open district lists that are linked to a candidate President, while $\frac{1}{5}$ (16) of the seats are allocated with a majoritarian mechanism based on regional closed lists.

For each provincial list a ranking is determined on the basis of the preferences that each candidate has received. Those who have obtained more votes are elected in the limits of the seats that each provincial list has gained.

The residual votes and the number of seats that have not been assigned are shared among regional lists by dividing the residual votes of each list by the electoral regional quotient⁸. Once all the 64 seats have been shared with the proportional mechanism, a second phase starts. According to the Tatarella law, the winning President takes all the 16 seats awarded by the majoritarian system with the exception of two cases:

- the winning regional list have obtained the 50% or more of the 80 seats. In this case only half of seats (8) assigned with the majoritarian system are given to the new majority and the rest is redistributed proportionally among the opposing lists.
- the winning regional list have obtained the 40% or less of the seats. Under this circumstance, 16 seats of the closed list are granted to the elected President and additionally the necessary seats to assure the President the 55% of the Council's seats.

The 2012 law is more straightforward: there are only open lists with proportional system and voters can either vote only for the list or give a preference vote for one councillor⁹. Two seats, out of 80, are reserved two the President and the candidate President of the best losing coalition. There is also a majority premium for the winning coalition, which consist in:

- the winning coalition takes at least the 55% of the seats if it takes more the 40% of the total votes.

⁸The electoral regional quotient is the total of the residual votes divided by the number of residual seats.

⁹The law envisages gender equality, the succession between a man candidate and a woman in the list is mandatory.

- the winning coalition takes at least the 60% of the seats if it takes less than 40% of the total votes.

Given the increase from 64 to 78 directly elected councilors, the seats assigned to each district have changed, as presented in Figure 1.

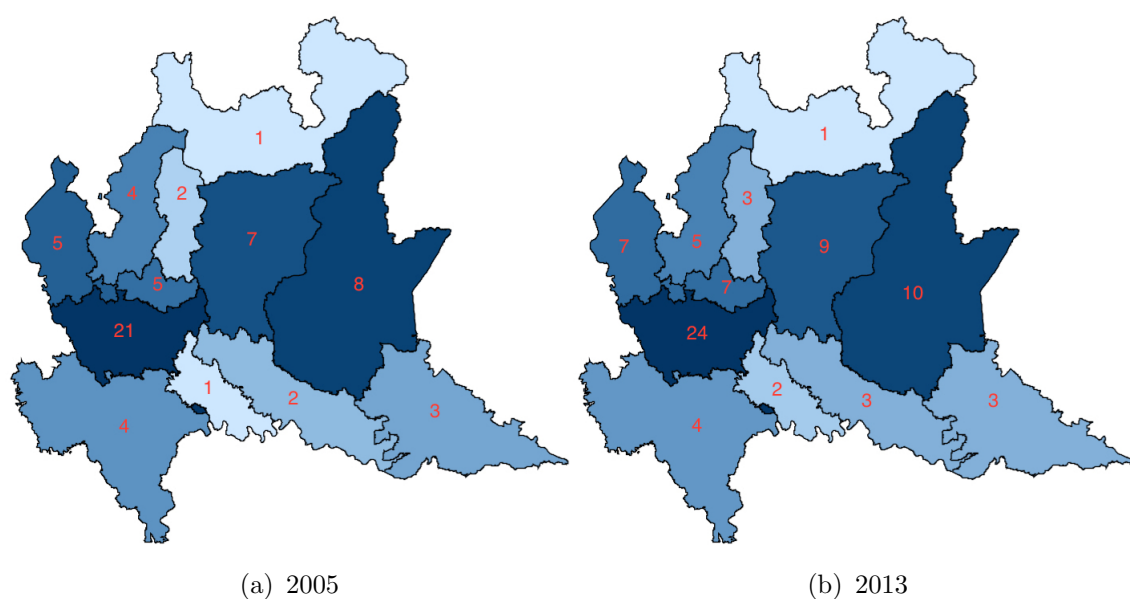


Figure 2.1: District Magnitude

In Italy the supervision of campaign financing procedures is entitled to the Courthouse of each Region's Capital. This supervision office has the mandate to collect and revise all the campaign financing statements for National, Regional and local elections¹⁰. According to Italian legislation, the candidates have three months after the elections to present their statement, which is a pre-filled paper and pencil form, after that they will be sanctioned¹¹ by the entitled courthouse. The candidates have to present a balanced statement, if the revenues are greater than expenditures, they have to give the profit to a third subject, usually a non-profit organization.

¹⁰Campaign spending supervision is mandatory only for municipalities with more than twenty-thousand inhabitants.

¹¹For further information on these procedures we refer to national law n.515/93 and, for Lombardy, to the regional law n.43/95.

Our sample contains 2782 observation over three different election from 2005 to 2013. We refer to chapter 3 for deeper insights and descriptive statistics on these data

2.4 Empirical Test

Summarizing the results of the model we found that campaign spending positively depends on the level of intraparty competition and negatively on the cost of fundraising. The objective function of the politicians is to maximize the number of preference votes and this is achievable by maximizing the level of campaign spending. Furthermore, we also found that front-runners in large district always spends more with respect to single district due to intraparty competition.

At last, we stated that in closed list only the front-runner engages in campaign activities since the other candidates increase their utility if they not spend anything. Therefore we have several theoretical prediction that we can test using data on campaign spending in Lombardy. We can empirically analyse the components of campaign spending and we found evidence to support several prediction of the model, as shown Table 2.1. We have a pooled cross-section dataset and the main regression equation is the following:

$$Tot.Exp_{idt} = \beta_0 + \beta_1 Party\ Share_{idt} + \beta_2 Position_{idt} + \beta_3 X_{idt} + D_d + T_t + \varepsilon_{idt}$$

Where *Party Share* represents the votes obtain by the candidate's party in the district d in the election held at time t . *Position* is the candidate's position in the open lists, hence greater values are associated with lower positions in the list, up to 25 for the district of Milan. Moreover, X_{idt} is a vector of covariates of candidates characteristics such as age, gender, incumbency status and we insert also the square of *Party Share* to address for non-linear effects. D_d are the district dummies and T_t the year dummies for 2010 e 2013. The dependent variable is the total campaign expenditure reported by the candidate in the single election.

The first result is that candidates position in the list, that we intend as a good proxy of p_j , the probability of receiving a vote from an uninformed voter, has a negative and significant coefficient. The lower a politician is the list the less he

Table 2.1: Campaign Spending and Electoral Rules

	(1) All	(2) Large Dist	(3) Small Dist	(4) Single Dist	(5) Placebo	(6) Closed List
position	-290.4** (51.21)	-273.6** (55.48)	-570.5** (111.5)			
male	2892.6** (342.0)	2707.5** (546.7)	3233.3** (406.8)	5559.2† (2922.3)	-587.1 (1719.7)	2552.5** (357.3)
age	17.40 (12.15)	48.87* (19.08)	-12.06 (14.44)	70.60 (114.1)	-22.05 (50.87)	13.09 (12.75)
party votes	0.0457** (0.00356)	0.0378** (0.00392)	0.104** (0.00839)	0.0695** (0.0223)	0.0555** (0.0172)	
incumbent	20310.1** (1289.4)	22677.5** (2640.0)	16786.4** (1500.0)			23498.5** (1352.1)
single				-5758.8* (2689.1)	6175.9** (1755.3)	
closed						-4038.4** (963.4)
district effects	✓	✓	✓	✓		✓
year effects	✓	✓	✓	✓	✓	✓
R^2	0.372	0.365	0.428	0.224	0.205	0.247
N	2782	1283	1499	149	163	2889

Robust standard errors in parentheses † $p < 0.1$, * $p < 0.05$, ** $p < 0.01$

Large district refers to candidates who run in districts with more than 8 seats. The dummy variable *single* takes value one if the candidate run in single district and zero if he run in a large district(>8 seats) and the sample contains only front-runners. Incumbency status is not available because there is not enough variability on this sample, there are only four incumbents. *Closed* takes value one if the candidate is in the regional closed list and zero if he competes in open lists. Party votes is not available in this sample because parties form large coalition in the regional closed list.

will spend because he has a lower probability to obtain preferences from uninformed voters.

The second prediction is that campaign spending is decreasing in the cost of fundraising activity, which negatively depends on the party's vote share. As expected, the coefficient of party votes is positive and significant, but it is probably decreasing since the coefficient of $Party^2$ is negative and significant.

One of the key feature of our model is to compare what are the differences between a proportional single district, basically a majoritarian system, and a multi-winner district with preferential voting. We arrive to the conclusion that in multiseat districts candidates spend more if there is enough intraparty competition. In a small district maybe with the presence of an incumbent there could be a low level of competition and this imply that informed voters mostly concentrate on the policy dimension.

Whereas we have also predicted that front-runners in very large district will always spend more with respect to their counterparts in single district. In Figure 2.2 there is a preliminary test of *Corollary 2*. We compare the means of the total expenditure of front-runners in all districts. As you can see, indeed the front-runners of the two larger district spend more with respect to single districts.

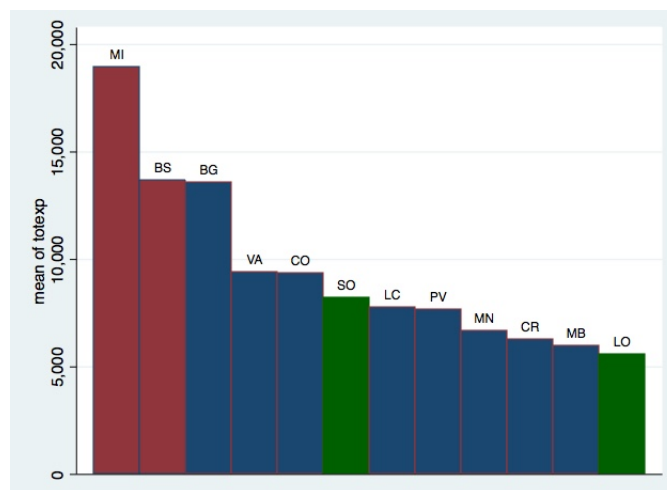


Figure 2.2: Average expenditure of front-runners by district

¹¹The red bars in Figure 2.2 represent the two larger districts, Milano and Brescia. In green the only two single districts, Sondrio and Lodi.

We then tested Proposition 2 on single districts in a regression framework. Our prediction is that if the candidate have an high p_j he will spend more in a multi-seats race with respect to single district. To test this we took the front-runners in very large district, i.e. above 8 seats, and the candidates of single districts. As Table 2.1 shows, the coefficient of *single* is indeed negative and significant¹², confirming our hypothesis that front-runners in large district will always spend more due to intraparty competition; since the sample is quite small I run some robustness check in the next.

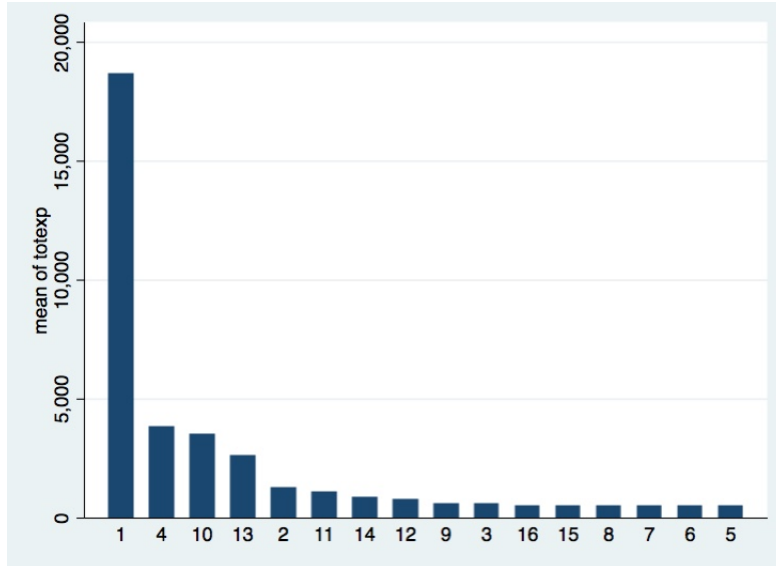


Figure 2.3: Average expenditure of closed list candidates by list position

Proposition 3 states that in closed lists overall spending is lower, however, we cannot test directly this results because the seats assigned by the regional closed lists in Lombardy are not comparable with other open districts¹³. Nevertheless, we run a regression on our whole sample and the coefficient of closed list is negative and significant. Candidates in closed list spend less with respect to open lists as they do

¹²The dummy variable *single* takes value one if the candidates run in a single district, zero otherwise.

¹³The regional closed lists assigned 16 seats. The closest district magnitude is of Brescia with 8 seats or Milan with 21 seats. Indeed if we compare the total spending in these district is always higher with respect to the regional closed list.

not have to gain preference votes. Our model also states that in closed list the cost of campaign advertising is bore only by the first in the list. Figure 2.3 presents the average of total expenditure divided by the candidate position in the closed list. It seems that indeed the great majority of campaign spending is done by front-runners.

Redistricting

In this section we focus on the effects of district enlargement on campaign spending activities. To recall, in 2012 there has been a change in the electoral law, which rose the number of directly elected councilor from 64 to 78. This has meant a change in the district magnitude for 9 provinces out of 12, in fact, Sondrio, Pavia and Mantova do not receive an additional seat with the new law. This allows us to use a difference-in-differences approach where the control group are the politicians that have run in Pavia, Sondrio and Mantova, while the treated group contains all the others candidates.

The dependent variable is still total expenditure and following the theoretical model we concentrate on the two main parties, the Democratic Party and the People of Freedom Party¹⁴.

Our theoretical prediction tells us that if your relative position is better, you will spend more than before the district enlargement due to the increase in intraparty competition. As a first glance of this result, Table 2.2 contains the coefficient for our DID setup on two different sub-sample.

¹⁴In 2013 the two right-wing parties have taken similar vote shares, so we include also Lega Nord. All the results apply also in the two-party setup.

Table 2.2: DID for district enlargement

	(1)	(2)	(3)
	All	Elected	Non-Competitive
dist.enlarg.	-3669.7 (2310.1)	-145.4 (4192.5)	-3251.4 (2430.1)
year 2013	6583.6 [†] (3523.7)	13929.2* (6703.9)	1271.8 (3848.6)
treat eff	-3982.0 (3583.6)	-14110.7* (6866.6)	873.4 (3901.0)
district effects	✓	✓	✓
R^2	0.366	0.241	0.214
N	604	163	356

Robust standard errors in parentheses [†] p<0.1, * p<0.05, ** p<0.01

Dist.enlarg. takes value 1 if the candidate is in a district that received additional seats with the new electoral law

In the regression we include some candidates' characteristics as gender, age, incumbency status, position in the list and party votes. For Non-Competitive candidates we intend those non-elected candidates who arrive more than two places below the total seats assigned to his party.

As the table shows, the coefficient of interest, *Treat eff*, is negative but non significant, consequently, we cannot confirm our theoretical prediction. Another possible countering effect, is that, even if intraparty competition is stronger, having one seat more makes it easier for very strong candidates to win a seat. This may be the one of the reason of why we find non significant coefficients. To test this, we made the same analysis on the sample of elected candidates and indeed, we see that the effect of district enlargement is negative and significant.

Conclusions

The present work has investigated the mechanism of campaign spending in open lists PR system with two-seats districts. We developed a model of campaign spending with two class of voters and policy motivated politicians. Since we have multiseat district, with open lists a problem of intraparty competition arises. Voters cannot perfectly observe the policy positions and rely also on campaign spending in deciding whom to vote for.

Our model predicts that intraparty competition increases the campaign spending activities of the candidate with respect to single district. We also use the same model to analyse a closed list framework and discover that, since candidates do not have to gain preference votes, campaign spending is lower and the cost is bore only by the firsts in the list. The best strategy for the other candidates is to not spend anything, since their election depends only on the vote share of the coalition. At last we sketch an hypothesis with more than two seats district and we forecast that we will have diverging effects between front-runners and challengers.

In the last section we have tested our predictions, using an original dataset on three regional elections in Lombardy. We found evidence to support the theoretical model. Campaign spending is increasing in the vote share of the party and in the candidates position in the lists. Furthermore, front-runners in very large districts spends less with respect to their colleagues in single district. Candidates in closed lists spend less in campaign activities, furthermore front-runners in closed lists spend the great majority of the total coalition spending.

In the last section we use a differences-in-differences approach to test the effect of district enlargement, and we find that increasing the district magnitude has a negative effect on campaign spending of elected candidates, whilst does not increase the expenditure of less competitive candidates.

Chapter 3

Campaign Spending and Political Outcomes in Lombardy

3.1 Introduction

The question of how financing can affect politics has found great interest in the literature and in the political debate. Since the beginning of modern democracies, this topic has been brought up several times and in different contexts, without finding a peaceful and unique solution. Nevertheless, the underline issue is extremely straightforward: campaigning is very costly and candidates, with some exceptions, do not have the money to sustain it, so they ask for some to external contributors, such as citizens or organizations. This mechanism could distort the selection of the politicians and the outcomes of the legislative process (Hopkin, 2004).

The large strand of literature, well summarized in Ansolabehere et al. (2003), that investigates how money can influence legislators behavior has find low or non significant effects of campaign financing on voting decisions. Anyhow, the concerns that lobbies and industries can endorse a candidate to obtain political support in the legislative chambers (Grossman and Helpman (1996*b*), Chamon and Kaplan (2013)), is still a topic that divides parties and voters.

Given the importance of this subject, almost every democracy in the western world has seen different reforms and has assisted to national debates in order to regulate campaign financing. In the U.S. it is a very sensitive issue that has also come up in the current presidential primaries. Therefore, in the last century, we have gone trough the introduction of campaign financing limits and the enhancement

of transparency measures, such the institution of the Federal Election Commission in the U.S.¹ and of other supervision agencies around the world. A conclusion has not yet been reached and campaign financing will be a controversial subject also in future elections.

It is also very compelling, and largely the main subject of this work, to understand how much money can really increase a candidates' probability of winning. Several works have tried to answer to this research question, like Green and Krasno (1988) and the early analysis of Jacobson (1978, 1990). The general answer is that money can help in winning an election, however, the results are discordant and the magnitude of the findings considerably change between estimates, leaving room for further research on the topic. Furthermore, the great majority of these works concentrate mostly on U.S. politics, but we think that the mechanisms and incentives of political financing change when we switch from a majoritarian to a PR system. In PR systems, in open lists with multiseat districts, the main opponent is within the same party and it should be easier for voters to switch their preferences among candidates of the same political spectrum and money² could be a very important factor in this decision. On the other hand, also in closed list the incentives are different with respect to majority system. The objective of the party is to gain more seats (Grossmann and Helpman, 1996), hence they could decide to advertise only the first candidate, creating a free-riding issue³, or to distribute campaign financing among all the candidates in the lists, losing the informative content of campaign spending. The variety of systems in different countries and the hardship to disentangle the effects of money from that of ability made it very difficult to address this question.

Our works focus on Italy, which is attractive for two reason; first, to the best of our knowledge, no previous work has been done using Italian data. Secondly, in the last few years, the country has been facing a national debate on campaign financing. In fact, Italy is gradually switching from a mostly public system in favor of a more private one⁴. In 2012, law n.96 have reduced the amount of public funding to parties and political movements. It also have strengthened the notion of co-financing,

¹See Levitt (1995) for an overview of what had happened in the U.S. Congress.

²We are assuming that more money means more visibility for the candidate and this positively affect voters' welfare, as they are more aware of the candidates' characteristics.

³See Chapter 2 for a discussion on free-riding in closed list system.

⁴The objective of the former Prime Minister, Enrico Letta, was to gradually abolish public contribution by 2017.

inducing parties to do a strong private fundraising to obtain public funding. At the municipal and regional level, candidates already are mostly privately financed with the party's funding that is neatly decreasing its importance.

We focus on the regional elections: Italy has twenty elected regional councils that are to be considered as a professional legislative chamber. Councillors are summoned at least once a week and Regions have executive powers on several issues, such as health care, public transportation, local development and public procurement. As an example, Lombardy spends more than 18 billions on health care services and more than one billion for public transport. The council is responsible for the allocation of these resources and it can also provide contracts to private firms for these issues.

We chose Lombardy for our analysis for two main causes: first, it is one of the biggest council in Italy, secondly, in 2012 there has been change in the electoral law from a mixed majoritarian/proportional system with open and closed lists to a completely proportional system with open lists. The same law has also modified the size of the electoral districts. We collected an original data set of nearly 3000 candidates belonging to the three last regional elections. We value the dataset as a contribution on its own, since these data are destroyed after five years⁵.

Our results suggest that money can be of great help both in increasing the probability to conquer a seat and in gaining more preference votes. These effects are rather high but comparable with previous works in the literature done on PR systems Cox and Thies (2000).

As previously stated, the presence of a multiparty and multiseat system increments the effect of intraparty competition and it becomes easier for the voters to change their choices, which increases the magnitude of the correlation between spending and preference votes. We also found that the impact of money is decreasing and this, in addition to the fact that the spending limits are almost never reached, could suggest the demand for a reform to tighten the competition.

The paper proceeds as follows: after the literature review, Section 3.2 explains how the dataset was collected and presents some descriptive statistics. Section 3.3 shows the results of our analysis, then we draw the conclusions and indicate some possible future research on the topic.

⁵Due to the lack of digitization of Italy's public system, the candidates have to complete a paper and pencil form. These forms are then sent to the pulping mill shortly after the next election.

3.1.1 Campaign spending, a variety of issues

Campaign spending is a very complex subject with multiple issues that has been addressed in different works in the literature. Besides the concerning implications on policy distortion that we mentioned above, the impact of campaign spending on electoral outcomes, the informational content and the welfare implication of spending limits have been extensively investigated, with controversial results.

Does money matter? As cited above, Jacobson (1978), with his pioneering investigation on congressional elections, stated that the impact of money is far more important for challengers than for incumbents, since the latter have already use their term in office to publicize themselves to the voters, whilst challengers should use campaign advertising to overcome the incumbency advantage. Jacobson's findings were criticized by Green and Krasno (1988), the authors, using the same data, affirmed that, once challenger quality has been accounted for, incumbents have positive and significant returns from campaign spending.

On the same topic, Erikson and Palfrey (1998) concentrated on estimating the actual incumbency advantage obtained from campaign spending. They found that money is very important for re-election but the effect decreases with seniority. More recently, Bombardini and Trebbi (2011) using a bilateral bargaining model between interest groups and U.S. congressmen, estimated that an additional vote cost nearly 145 dollars.

On this topic, moving from U.S. to proportional systems, we find less literature, due probably to the lack of organized data. We would like to cite Cox and Thies (2000) on Japanese election, Maddens et al. (2006) on Belgium and Benoit and Marsh (2002) on Irish general election. All three studies have found positive and significant effect of campaign spending on electoral outcomes and the impact is rather higher with respect to U.S. However, except for Cox and Thies (2000) the other studies have used only one electoral competition understating the effect of unobserved heterogeneity and leaving space for further research on the topic.

Prat et al. (2010) investigated the informational benefit of campaign finance. Using data from North Carolina State election they assess that small contributions are a positive signal of candidate quality, whilst large contributions and party funds have a negative effect on legislators' effectiveness. Therefore, they suggest that the informational argument against public funds does not hold. Also Roemer (2006) suggests

public financing will increase redistribution policies and the median voter will be better off with respect to private contributions.

On campaign spending limits, Coate (2004*b*) finds that a trade-off may arise. Contribution limits reduce campaign spending but it decreases the probability that parties will select more moderate candidates and this process redistributes welfare from moderate and swing voters to members of interest groups who can spend less in campaign finance. Pastine and Pastine (2012) instead show that a limit on campaign spending helps in leveling the competition between incumbents and challenger only if challengers' campaign spending is more effective, the incumbent advantage is not too high and the limit is mild. In all other situations the limit skews the competition in favor of the incumbents.

Our contribution confirms the importance of campaign advertising in PR system, furthermore with open lists the impact of money is very large, due to intraparty competition. We are the first to use data from Italy and our dataset, with respect to other previous works on PR system, contains multiple elections allowing us to account for year effects, and we can use panel fixed effects for candidates to partially control for unobserved ability of the politicians. We also confirm that money matters also for incumbents, when compared to strong challengers, though the impact is more decreasing for the latter.

3.2 Data

Data on Campaign Spending

In Italy the supervision of campaign financing procedures is entitled to the Courthouse of each Region's Capital. This supervision office has the mandate to collect and revise all the campaign financing statements for National, Regional and local elections⁶. According to Italian legislation, the candidates have three months after the elections to present their statements, which is a pre-filled paper and pencil form, after that they will be sanctioned⁷ by the entitled courthouse.

⁶Campaign spending supervision is mandatory only for municipalities with more than twenty-thousand inhabitants.

⁷For further information on these procedures we refer to national law n.515/93 and, for Lombardy, to the regional law n.43/95.

The legislation envisages campaign spending limits, which are changing over time. For 2005 and 2010 the limit was 34.247,89 euros plus 0,05 cent for every voter in the district, whilst for 2013 the limit was raised to 38.802,85 plus 0,061 cent for every inhabitant in the district, hence, taking inflation into account, there has been a substantial raise in the spending limit. However, in a similar fashion as in Ansolabehere et al. (2003), very few candidates reach the maximum spending for their districts, which, in our opinion, raises some interesting questions on the usefulness and effectiveness of these limits⁸.

Our dataset contains 2782 observation over three electoral competitions. However, there is a large sample of candidates which, due to the multiseat system, cannot be considered as true competitors⁹. We have decided to use three main different sample for our analysis, the whole sample, a smaller sample with true candidates and the last which contains only competitive candidates. The former are the ones that that took more than 100 preference votes¹⁰. For competitive candidates we intend elected councilors plus close losers which are candidates who arrive second if the party has won only one seat. If the party has won between two and four seats, we have taken the two first losers, whilst if the party has won more than five seats, we have included the first three losers.

Table 3.1: Summary Statistics by Election

Year	Male	Age	Tot. Exp	Fin.Third	Fin.Cand	N
2005	0.758	58.7	5664.809	2763.48	2298.235	771
2010	0.707	52.4	6686.348	3354.542	2834.779	698
2013	0.515	50.0	4355.932	1599.762	3863.712	1313

In Table 3.1, there are some descriptive statistics on the whole sample. The average of total expenditure per candidate is slightly smaller for 2013, probably due to the higher number of candidates. In 2013, as required by the new electoral law, we find more women and candidates are younger in average.

⁸Campaign spending limits are a quite controversial topic, see for example Pastine and Pastine (2012) or Prat (2002a).

⁹Given the multi-district and multiseat system and the high number of parties that run in each district, many candidates are included in the lists a to reach the required number.

¹⁰The sample shrinks to 1622 observations.

We present in Table 3.2 the averages of the three main variables, divided by categories. The first column is the total expenditure reported by the candidates, *Fin.Third* is the total financing raised either from private citizens or organizations, while *Fin.Cand* is the amount of candidates' own money given to the campaign.

As the table shows, right-wing candidates spent twice as much with respect to the left-wing¹¹ one reason being that the left-wing coalitions usually contain more and smaller parties. However, if we focus on the two main parties, the Democratic Party and the People of Freedom party¹², we notice that the candidates of the latter have spent, in average, ten thousand euros more than the democrats.

Table 3.2: Average Campaign Spending and Finance

	Tot.Exp	Fin.Third	Fin.Cand		Tot.Exp	Fin.Third	Fin.Cand
<i>Female</i>	4789.6 (9267.7)	2511.4 (6419.3)	2347.9 (5414.5)	<i>Right-Wing</i>	12790.1 (15489.2)	7250.9 (12783.4)	5864.8 (9270.2)
<i>Male</i>	9248.9 (13914.2)	4755.7 (10505.2)	4364.7 (8417.1)	<i>Left-Wing</i>	6031.0 (10763.2)	2775.1 (6923.9)	2822.2 (6384.4)
<i>PD</i>	14488.9 (14576.4)	7759.5 (10799.9)	5404.9 (8323.6)	<i>Large Districts</i> ¹	8086.6 (13780.4)	4227.4 (10537.8)	3921.9 (8407.2)
<i>PDL</i>	22721.9 (18447.9)	14062.6 (16291.2)	8092.7 (10740.5)	<i>Small Districts</i>	7620.3 (11659.7)	3877.7 (8164.9)	3536.6 (6749.6)
<i>LEGA</i>	11411.2 (12164.6)	6262.5 (9508.9)	6439.2 (8692.2)	<i>Incumbents</i> ²	31568.0 (14207.2)	18533.0 (19714.1)	13432.6 (13468.0)
<i>5-Star</i>	953.8 (2189.1)	623.5 (2467.2)	336.1 (276.3)	<i>Challengers</i>	20789.0 (16453.7)	11665.8 (13555.6)	7920.8 (11083.6)

¹ Larger than 7 seats.

² Averages for challengers and incumbents are only for elected candidates. For all the other categories we took candidates who obtained more than 100 preference votes.

Even if Lombardy is historically a more right-wing oriented Region, this number is quite impressive and it raises the question if the Democrats do not invest so much on campaigning as they know they are probably not going to win anyway. In fact, the right-wing had already a dominant position in the region and it could have been strengthened by the greater amount of money spent during the campaign. Anyhow, the good performance of the Democratic party in most of the districts - e.g. in Milan

¹¹However, this effect is quite common, indeed also in other countries conservatives outspend democrats (Fisher, 1999).

¹²The Democratic Party is the current majority in Italy's Chamber of Deputies, while the People of Freedom party was the former majority.

is the leading party - could raise an interesting debate on the possible comeback of public financing system to enhance a fairer competition¹³.

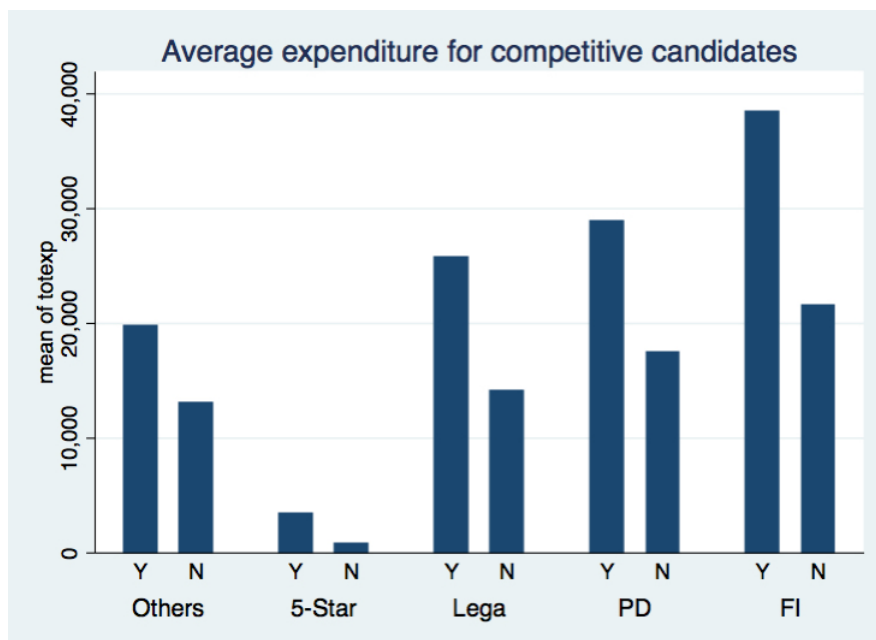


Figure 3.1: Elected/Not Elected by Party

The last two rows of Table 3.2 are dedicated to the spending differences between incumbents and challengers. We have restricted the sample only on elected candidates to make a more meaningful comparison, nonetheless, in accordance with the literature, incumbents outspend challengers in every election. This is understandable: since incumbents have already an electoral base and can count on past sponsors, they can raise money faster and easier. However, what seems puzzling is that they already have a competitive advantage, why are they spending so much? We will try to answer in the next section, one of the reasons could be that incumbents spending is less effective as some previous works in the literature have shown¹⁴.

We have two main outcome variables, the first is the total of preference votes obtained by the candidate, whilst the second is the probability of being elected in the council. The two variable are linked with each other since more preference votes

¹³Public campaign contributions are usually based on the vote share of the party. In the case of regional elections, very few candidates obtained financing from their party, leaving the candidates do they own fund-raising.

¹⁴Green and Krasno (1988), Cox and Thies (2000)

increase the probability of being elected, at least for candidates of the same party. We think there is an important link between total spending and preference votes. The theoretical literature on this issue have pointed out the argument of informational benefits of campaign spending, however, in the case of regional elections, we think there is a simpler explanation: with an electoral system based on preference votes, the main objective of the candidates is to make themselves well known and distinguishable to the voters.

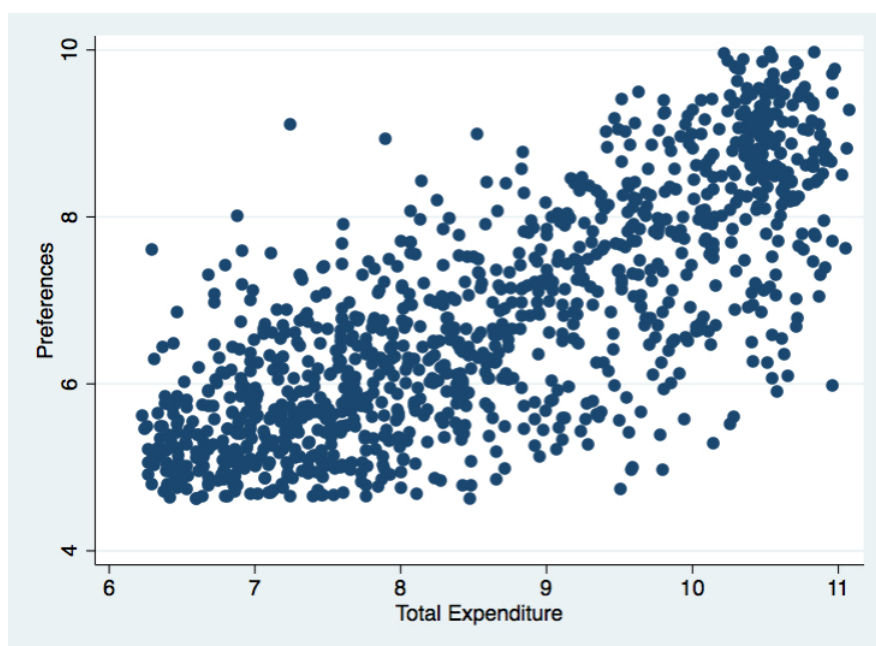


Figure 3.2: Preferences and Total Expenditure

Campaign spending increases the visibility of the candidate, allowing them to come closer to the population and gain their support. To sustain this claim we present in Figure 3.1 the spending differences between elected and non elected politicians divided by the main parties while Figure 3.2 shows the relationship between preferences and total expenditure¹⁵. The magnitude of the Pearson coefficient is rather high - 0.68 - and significant at the 1% level.

In the next section we will go deeper in the analysis of this correlations with the introduction of several control variables and a series of OLS and Panel Data

¹⁵In Figure 3.2 we have taken the logarithm both of preferences and expenditure of true candidates.

regressions.

3.3 Campaign Spending and Preferences

We launched a series of OLS regressions on our sample, with the two dependent variables explained above, i.e. preference votes and probability of election. We construct three different independent variables which measure campaign spending. The first is total expenditure, then the logarithm of total expenditure and the percentage of the candidate spending with respect to the total spending of the other candidates in his party¹⁶. In the majority of these regression we insert also district and year fixed effects and the largest sample we analyzed contains 2782 candidates. The main regression equation is the following:

$$Y_{idt} = \beta_0 + \beta_1 \text{Tot.Exp}_{idt} + \beta_2 X_{idt} + D_d + T_t + \varepsilon_{idt} \quad (15)$$

Where X_{idt} is a vector of covariates of candidates characteristics such as age, gender, party affiliation, incumbency status and the candidate's position in the list. D_i are the district dummies and T_t are the year dummies for 2010 e 2013. The dependent variables are the total preference votes obtained by the candidate in the district d at year t ¹⁷ or a dummy variable that takes value one if the candidates has been elected to the regional council¹⁸. Our main variable of interest is Total Expenditure as defined in Chapter 2.

As Table 3.3 shows, all three spending variables, albeit with different magnitudes, are highly significant both on preferences and probability of election, supporting the hypothesis that campaign spending and political outcomes are positively correlated. As supported by previous literature (Green and Krasno, 1988), we too think that expenditure could be concave and we include a quadratic term that appears to be negative and significant in all specifications. This result should be further investigated, because, if the utility of campaign spending is decreasing, it could support a

¹⁶In the tables this variable is abbreviated as *%PartyExp*.

¹⁷We suspect there could be heterogeneity between districts, however the number of cluster available is too low to use clustered standard errors. Therefore we implement also Wild-Bootstrap clustering on the district, however, the significance of the results does not change.

¹⁸In the second case we use a probit model, the equation is :

$$Pr(Y = 1) = \Phi(\beta_0 + \beta_1 X_{it} + D_i + T_t)$$

Table 3.3: Probability of Election, Preference Votes and Total Expenditure

	(1) Preferences	(2) Elected	(3) Preferences	(4) Elected	(5) Preferences	(6) Elected	(7) Preferences	(8) Elected
Tot.Exp	0.188** (0.0183)	0.0001** (9.95e ⁻⁰⁶)	0.183** (0.0190)	9.21e ^{-05**} (1.08e ⁻⁰⁵)				
Tot.Exp ²	-1.64e ^{-07**} (4.18e ⁻⁰⁹)	-1.21e ^{-09**} (2.08e ⁻¹⁰)	-1.62e ^{-06**} (4.26e ⁻⁰⁷)	-1.14e ^{-09**} (2.35e ⁻¹⁰)				
Log(Exp)					837.9** (49.31)	0.438** (0.0403)		
%PartyExp							3022.0** (407.6)	1.927** (0.262)
Male	15.17 (53.76)	0.264* (0.118)	148.5 (96.22)	0.262* (0.128)	258.9* (101.6)	0.282* (0.129)	504.4** (118.5)	0.414** (0.121)
Age	-7.591** (2.179)	-0.0197** (0.00408)	-15.30** (4.346)	-0.0209** (0.00507)	-16.02** (4.658)	-0.0219** (0.00515)	-11.68* (5.178)	-0.0157** (0.00456)
Party Votes	0.0043** (5.86e ⁻⁰⁴)	2.47e ^{-06**} (5.15e ⁻⁰⁷)	0.0057** (0.000752)	2.07e ^{-06**} (6.01e ⁻⁰⁷)	0.0065** (8.02e ⁻⁰⁴)	2.13e ^{-06**} (6.03e ⁻⁰⁷)	0.0116** (9.88e ⁻⁰⁴)	5.20e ^{-06**} (5.91e ⁻⁰⁸)
Incumbent	3096.0** (411.5)	1.271** (0.162)	3063.6** (413.0)	1.266** (0.159)	3787.8** (414.7)	1.329** (0.157)	4844.4** (424.8)	1.623** (0.148)
Position	-2.137 (7.616)	-0.0549** (0.0171)	-18.32 (13.28)	-0.0523** (0.0143)	-31.08* (13.88)	-0.0550** (0.0144)	-51.40** (15.68)	-0.0617** (0.0138)
District Effects	✓	✓	✓	✓	✓	✓	✓	✓
Year Effects	✓	✓	✓	✓	✓	✓	✓	✓
R ²	0.627	0.510	0.604	0.439	0.563	0.438	0.458	0.362
N	2782	2782	1622	1622	1622	1622	1622	1622

Robust standard errors in parentheses † p < 0.1, * p < 0.05, ** p < 0.01

Column (1) and (2) refer to the whole sample of candidates. Column (3) to (8) instead contains the regressions on the sample of true candidates as defined in the previous section. We present coefficients and not marginal effects for probit models.

reform of spending limits, when it is put together the fact that high majority of candidates do not come nearby their threshold. Nevertheless, the topic needs a separate investigation and we leave this question to future research.

As expected, incumbency status has a positive and significant coefficient on both outcome variables, indeed re-election rate of incumbents is rather high, about 69.7%. What is surprising is that the relative position of the candidates does not affect the number of preference votes.

Table 3.4: Electoral Outcomes and Total Expenditure for competitive candidates

	(1)	(2)	(3)	(4)
	Preferences	Preferences	Elected	Elected
Tot.Exp	0.160** (0.0321)			2.24 ⁻⁰⁵ ** (5.78 ⁻⁰⁶)
Tot.Exp ²	-1.52 ⁻⁰⁶ † (8.34 ⁻⁰⁷)			
Log(Exp)		875.2** (128.4)	0.231** (0.0619)	
Age	20.23 (16.34)	25.29 (16.43)	-0.0148* (0.00731)	-0.0158* (0.00731)
Party Votes	0.00547** (0.00201)	-0.00616** (0.00200)	-3.85 ⁻⁰⁶ ** (1.15 ⁻⁰⁶)	-4.02 ⁻⁰⁶ ** (1.17 ⁻⁰⁶)
Incumbent	2767.6** (564.0)	3025.0** (562.2)	1.226** (0.214)	1.201** (0.215)
District effects	✓	✓	✓	✓
R^2	0.603	0.578	0.4839	0.4519
N	350	350	350	350

Robust standard errors in parentheses † $p < 0.1$, * $p < 0.05$, ** $p < 0.01$

We then decided to restrict the sample of our analysis only on competitive candidates¹⁹. By shrinking the sample we are trying to uniform the characteristics of the candidates as to disentangle as much as possible, with this setup, the impact of money from ability.

¹⁹See section 3.2 for the definition of competitive candidates.

In theory, since unobservable ability should upward bias the results, we expect the correlation between money and preferences to be smaller in magnitude and indeed Table 3.4 shows that both the coefficients of *Tot.Exp* and *Log(Exp)* are effectively smaller.

Table 3.5: Electoral Outcomes and Total Expenditure for incumbents and challengers

	(1)	(2)	(3)	(4)
	Incumbent	Challenger	Incumbent	Challenger
Tot.Exp	0.168 [†]	0.226**		
	(0.0860)	(0.0399)		
Tot.Exp ²	-7.24 ⁻⁰⁷	-2.59 ^{-06**}		
	(1.58 ⁻⁰⁶)	(8.37 ⁻⁰⁷)		
Log(Exp)			1311.1**	1065.8**
			(342.7)	(136.2)
Age	20.96	3.243	23.12	10.12
	(40.80)	(15.77)	(41.04)	(16.18)
Party Votes	0.0156**	0.0138**	0.0169**	0.0150**
	(0.00454)	(0.00259)	(0.00455)	(0.00267)
Position	-268.3 [†]	-101.4*	-216.6	-109.2*
	(143.3)	(46.93)	(142.6)	(48.44)
District effects	✓	✓	✓	✓
<i>R</i> ²	0.387	0.426	0.366	0.386
<i>N</i>	132	283	132	283

Robust standard errors in parentheses † p<0.1, * p<0.05, ** p<0.01

The effectiveness of money for incumbents has been well investigated in the literature, however, there is not a uniform answer. The fierce dispute between the results of Jacobson (1978), who stated that challengers spending is far more important, and Green and Krasno (1988), which instead said that money has significant effects also for incumbents, had not still settle the issue. Our results, presented in Table 3.5, come somewhere in the middle. Total expenditure is significant for both groups but the correlation is higher and more significant for challengers. Furthermore, the impact of money for challengers appears to be decreasing. These results could imply

that they cannot overcome completely the visibility of an incumbent even if they spend a lot on campaign advertising.

At last, to give robustness to the previous results we also implement panel data analysis with fixed effects for candidates; this technique allows us to control for endogeneity that is linked with unobservable ability of the politicians. The percentage of candidates that run two times is pretty low, around 6.7% while it decrease to 0.65% for candidates that have run all three times. Nonetheless, we have a sample of almost 200 individuals, which we can use to give more structure to our analysis.

In Table 3.6 we present the results of panel fixed effects regressions on preferences; both total expenditure and $\text{Log}(\text{Exp})$ are strongly significant and $\text{Log}(\text{Exp})$ is decreasing in magnitude with respect to OLS. These are important results, it is also one of the first attempts with panel data²⁰. Therefore, money can help in obtaining preference votes, a 1% increase in the expenditure of the candidates has a return of more than 500 preferences. This number is quite impressive, but it is in line with the previous work done in multiseat systems (Cox and Thies, 2000). In fact, as already argued, with respect to first-past-the post it is easier for voters to switch preference from one candidate to another because they are within the same party, hence, the impact of money becomes larger (Maddens et al., 2006).

Another interesting result is that the candidate position in the list is no longer significant when we analysis candidates that ran multiple times, probably because they are already known to the voters. This suggests that the position is a significant factor in gaining preference votes mainly for newcomers, who may exploit a signaling advantage from the position in the list. In fact, voters could be inclined to think that higher position means higher candidate quality²¹.

²⁰Prat et al. (2010) also have used panel data, but the research question was different.

²¹Another explanation could be more similar to donkey voting. Undecided voters could have the tendency to vote for the firsts in the list. Chapter 2 exploits this assumption

Table 3.6: Panel Regression with Fixed Effects

	(1) Model 1	(2) Model 2	(3) Model 3	(4) Model 4
Tot.Exp	0.199** (0.0545)			
Log(Exp)		629.3** (224.1)		
Tot.Fin			0.0243 (0.0187)	
Fin. Cand				-0.0627** (0.0219)
Fin. Third				0.0855** (0.0196)
Tot.Exp ²	-3.48e ⁻⁰⁶ ** (1.14e ⁻⁰⁶)			
Age	-21.19 (124.2)	-19.37 (132.2)	-19.33 (134.4)	-15.89 (123.1)
Party Votes	0.0171** (0.00351)	0.0161** (0.00370)	0.0168** (0.00379)	0.0133** (0.00352)
Position	-21.13 (49.34)	0.117 (51.71)	7.022 (53.30)	-27.14 (49.13)
R^2	0.252	0.139	0.113	0.259
N	404	404	404	404

Robust standard errors in parentheses † p<0.1, * p<0.05, ** p<0.01

Fin.Cand are the candidates own contributions to the campaign,

Fin.Third contains contributions both from private citizens and interest groups.

The last two columns of Table 3.6 show the results on preference votes of campaign financing and we found two interesting results. When we divide for the source of financing we show that candidates' own money has a negative and significant effect on preferences, while external contributions have a positive coefficient. This could suggest that candidate contributions are a negative signal of the quality of the candidate, a similar result can be found in Prat et al. (2010).

There are two possible explanations to this effect: if the candidate contributes with

his own money to the campaign, voters may think that he is not able to raise enough money from donors, that should have more information on the candidate (Prat, 2002a). That is, interest groups may think he is not worth investing in and voters should take this informative signal under consideration.

Secondly, it is reasonable to assume that external contributors will vote for the candidate they have financed and this will obviously increase the number of preference votes. In general, these results on the financing side have interest implications on the effect of campaign contributions on the selections of politicians, which we would like to address on further research on the topic.

To conclude, we come back on the original question: does money really help? Our results prove that campaign spending does help in gaining preference votes. The magnitude of the correlation is very large, but it decreases when we restrict the sample to more competitive candidates. We can also state that money has a significant impact also for incumbents and that for challenger this effect is decreasing. This implies that for challenger would not be efficient to outspend incumbents. However, we would like to retrieve additional data to perform a more robust analysis on this issue.

We also have proved that the position in the list, an important issue in open list systems, is significant only for newcomers in large district, while once we controlled for expenditure it is not important for incumbents or candidates that run multiple times. We contribute to the, small, literature on campaign spending in proportional elections using three different elections and controlling for candidate fixed effects with panel data.

Given the upcoming changes in the campaign finance legislation in Italy, we think we have more useful insight on the impact on money on electoral outcomes.

Conclusions

Campaign spending can affect the political success of a candidate, however, the impact in PR systems is largely under-investigated. Therefore we collected an original dataset containing more than 3000 observation and three different elections of Lombardy's Regional Council; to the best of our knowledge, it is the first attempt using data from Italy.

We used OLS with different specifications and they all highlights the positive correlation between money and preferences, moreover, the magnitude of the coefficients decrease when we analyse only winners and close losers. However, these results could be biased due to omitted variables bias, i.e. candidates' own ability. To overcome this problem we were able to construct a panel dataset with more almost 200 candidates and we used candidates' fixed effect model. The results confirm the important impact of money on political outcomes and the magnitude it is considerably larger with respect to the previous literature on U.S., but, given the particular structure of the regional electoral system we do not think is a concern: in a multiseat system with large district, switching preferences it is easier with respect to a first-past-the-post system.

Our approach has its limitations, we may have overlooked other sources of endogeneity and the sample that we use is not large enough to be completely satisfied by our analysis. However, we think we have made a further step in understanding how money can affect political outcomes in PR and multi-party systems and we consider these results to be applicable to other elections with preference votes, i.e. local and European elections. Instead, we may have different outcomes in national elections, given Italy's closed-list system.

One main policy implication comes into consideration and it is about spending limits. Do we need regional candidates to be able to spend so much? Since the vast majority of them does not reach the limit by far and the impact of money is decreasing, a reform to lower the advantage of spendthrift candidates should be considered.

Bibliography

- Alesina, A., Angeloni, I. and Schuknecht, L. (2005), What does the European Union do?, *Public Choice* 123(3-4), 275–319.
- Alesina, A. and Perotti, R. (2004), The European Union: A Politically Incorrect View, *Journal of Economic Perspectives* 18(4), 22–48.
- Ansolabehere, S., De Figueiredo, J. and Snyder, J. (2003), Why is There so Little Money in U.S. Politics?, *The Journal of Economic Perspectives* 17(1), 105–130.
- Aspinwall, M. (2022), Preferring Europe: Ideology and National Preferences on European Integration, *European Union Politics* 3(1), 81–111.
- Baron, D. (1984), Electoral competition with informed and uninformed voters, *American Political Science Review* 88(01), 33–47.
- Baron, D. (1989), Service-Induced Campaign Contributions and the Electoral Equilibrium., *Quarterly Journal of Economics* 104, 45–72.
- Benoit, K. and Marsh, M. (2002), Incumbent and challenger campaign spending effects in proportional electoral systems the Irish elections of 2002, *Political Research Quarterly* 63(1), 159–173.
- Bombardini, M. and Trebbi, F. (2011), Votes or money? Theory and evidence from the US Congress, *Journal of Public Economics* 95(7), 587–611.
- Bordignon, M., Buettner, T. and van der Ploeg, F. (2009), Reinventing Europe: Introduction, *CESifo Economic Studies* 55(1), 1–14.

-
- Buti, M. and Carnot, N. (2012), The EMU Debt Crisis: Early Lessons and Reforms, *Journal of Common Market Studies* 50(6), 899–911.
- Cameron, A. C., Gelbach, J. B. and Miller, D. L. (2012), Robust inference with multiway clustering, *Journal of Business & Economic Statistics* .
- Cerniglia, F. and Pagani, L. (2009), The European Union and the Member States: An Empirical Analysis of Europeans Preferences for Competences Allocation, *CESifo Economic Studies* 55(1), 197–292.
- Chamon, M. and Kaplan, E. (2013), The Iceberg Theory of Campaign Contributions: Political Threats and Interest Group Behavior, *American Economic Journal: Economic Policy* 5(1), 1–31.
- Coate, S. (2004a), Pareto-Improving Campaign Finance Policy, *The American Economic Review* 94(3), 628–655.
- Coate, S. (2004b), Political Competition with Campaign Contributions and Informative Advertising, *Journal of the European Economic Association* 2(5), 772–804.
- Commission, E. (2014), *Public Opinion in the European Union*, Standard Eurobarometer 81.
- Cox, G. and Thies, M. (1998), The Cost of Intraparty Competition The Single, Nontransferable Vote and Money Politics in Japan, *Comparative Political Studies* 31(3), 267–291.
- Cox, G. and Thies, M. (2000), Equilibria in Campaign Spending Games: Theory and Data, *The American Political Science Review* 94(3), 595–609.
- Creel, J., Hubert, P. and Saraceno, F. (2012), The European Fiscal Compact: A Counterfactual Assessment, *Journal of Economic Integration* 27(4), 537–563.
- De Vries, C., Van der Brug, W., Van Egmond, M. and Van der Eijk, C. (2011), Individual and contextual variation in EU issue voting: The role of political information, *Electoral Studies* 30(1), 16–38.

-
- Erikson, R. and Palfrey, T. (1998), Campaign Spending and Incumbency: An Alternative Simultaneous Equations Approach, *The Journal of Politics* 60(2), 355–373.
- European Commission (2013), *Assessment of the 2013 national reform programme and stability programme for Italy*, Commission Staff Working Document.
- Farrell, D. and Scully, R. (2010), The European Parliament: one Parliament, several modes of political representation on the ground?, *Journal of European Public Policy* 17(1), 36–54.
- Fisher, J. (1999), Party expenditure and electoral prospects: a national level analysis of Britain, *Electoral Studies* 18(4), 519–532.
- Giebler, H. and Wst, A. (2011), Campaigning on an upper level? Individual campaigning in the 2009 European Parliament elections in its determinants, *Electoral Studies* 30(1), 53–66.
- Green, D. and Krasno, J. (1988), Salvation for the Spendthrift Incumbent: Reestimating the Effects of Campaign Spending in House Elections, *American Journal of Political Science* 32, 884–907.
- Grossman, G. and Helpman, E. (1996a), Electoral Competition and Special Interest Politics, *The Review of Economic Studies* 63, 265–286.
- Grossman, G. and Helpman, E. (1996b), Electoral Competition and Special Interest Politics, *The Review of Economic Studies* 63(2), 265–286.
- Harstad, B. (2010), Strategic delegation and voting rules, *Journal of Public Economics* 94(1), 102–113.
- Heinemann, F., Mohl, P. and Osterloh, S. (2009), Who's afraid of an EU tax and why? Revenue system preferences in the European Parliament, *The Review of International Organizations* 4(1), 73–99.
- Heinemann, F., Janeba, E., Moessinger, M. and Schroeder, C. (2013), Revenue Autonomy Preference in German State Parliaments?, *CEPR Discussion Paper* 13-090.

-
- Hix, S. (2008), *What's Wrong With the European Union and How to Fix It*, Polity.
- Hix, S., Noury, A. and Roland, G. (2007), *Democratic Politics in the European Parliament*, Cambridge University Press.
- Hix, S., Scully, R. and Farrell, D. (2012), National or European Parliamentarians? Evidence from a New Survey of the Members of the European Parliament, *Journal of Common Market Studies* 50(4), 670-683.
- Hopkin, J. (2004), The Problem with Party Finance Theoretical Perspectives on the Funding of Party Politics, *Party Politics* 10(6), 627-651.
- Horeth, M. (1999), No Way Out for the Beast? The Unsolved Legitimacy Problem of European Governance, *Journal of European Public Policy* 6(2), 249-268.
- Jacobson, G. (1978), The Effects of Campaign Spending in Congressional Elections., *The American Political Science Review* 72, 469-491.
- Jacobson, G. (1990), The Effects of Campaign Spending in House Elections: New Evidence for Old Arguments, *American Journal of Political Science* 34(2), 334-362.
- Katz, R. (1985), Intraparty preference voting, in B. Grofman and A. Lijphart, eds, *Electoral laws and their political consequences*, Algora Publishing, New York, chapter 4, pp. 85-102.
- Katz, R. and Wessels, B. (1999), *The European Parliament, the National Parliaments and European Integration*, Oxford University Press.
- Laboratorio di Analisi Monetaria (2014), *Osservatorio Monetario n.2*, Università Cattolica del Sacro Cuore.
- Levitt, S. (1995), Policy Watch: Congressional Campaign Finance Reform, *The Journal of Economic Perspectives* 9(1), 183-193.
- Maddens, B., Wauters, B., Noppe, J. and Fiers, S. (2006), Effects of Campaign Spending in an Open List PR System: The 2003 Legislative Elections in Flanders/Belgium, *West European Politics* 29(1), 161-168.

-
- Mastenbroek, E. and Kaeding, M. (2006), Europeanization Beyond the Goodness of Fit: Domestic Politics in the Forefront, *Comparative European Politics* 4(4), 331–354.
- Pastine, I. and Pastine, T. (2012), Incumbency advantage and political campaign spending limits, *Journal of Public Economics* 96(1), 20–32.
- Persson, T. and Tabellini, G. (2000), *Political Economics: Explaining Economic Policy*, MIT Press, Cambridge.
- Potters, J., Sloof, R. and van Winden, F. (1996), Campaign expenditures, contributions and direct endorsements. The strategic use of information and money to influence voter behavior, *European Journal of Political Economy* 13, 1–31.
- Prat, A. (2002a), Campaign spending with office-seeking politicians, rational voters, and multiple lobbies, *Journal of Economic Theory* 103(1), 162–189.
- Prat, A. (2002b), Campaign Spending with Office-Seeking Politicians, Rational Voters, and Multiple Lobbies, *Journal of Economic Theory* 103(1), 162–189.
- Prat, A., Puglisi, R. and Snyder, J. (2010), Is Private Campaign Finance a Good Thing? Estimates of the Potential Informational Benefits, *Quarterly Journal of Political Science* 5(3), 291–318.
- Roemer, J. E. (2006), Party competition under private and public financing: A comparison of institutions, *Advances in Theoretical Economics* 6(1), 1–31.
- Samuels, D. (2001), Does Money Matter? Credible Commitments and Campaign Finance in New Democracies: Theory and Evidence from Brazil, *Comparative Politics* 34(1), 23–42.
- Scully, R. (1999), Between Nation, Party and Identity: A Study of European Parliamentarians?
- Strøm, K. (2000), Delegation and accountability in parliamentary democracies, *European Journal of Political Research* 37(3), 261–290.

-
- Tallberg, J. (2002), Delegation to supranational institutions: why, how, and with what consequences?, *West European Politics* 25(1), 23–46.
- Tullock, G. (1972), The Purchase of Politicians, *Western Economic Journal* 10(3), 354–55.
- Weßels, B. (n.d.), European Parliament Election Study 2009, Candidate Study, <http://eeshomepage.net/ees-2009-study/elite-study/>.

Appendix A

Fiscal Regulation

Euro-Plus Pact

The Euro+ pact is an intergovernmental agreement proposed by a Franco-German initiative to tackle the financial crisis, it was adopted in March 2011 by all Euro-Zone Members and six Non Euro-zone Members²². The pact was conceived to strengthen economic and fiscal performance of Member States, by enhancing coordination and political dialogue between the signatories governments. The main objectives of the pact are:

- fostering employment
- fostering competitiveness
- ensuring the sustainability of public finances
- reinforcing financial stability

The last issue the pact addresses is tax policy coordination, however, the latter was subordinated to the other points. Each Member States had to address these issues by doing national reforms and was responsible to implement them on his own, the only coordination proposed was to consult with the signatories if these reforms could have spillover effects on other countries. The main indications to foster employment are to intervene on the labor market by promoting the flexicurity model, by reducing undeclared work and by reducing taxes on labor.

The problem of competitiveness should be addressed with reducing labor costs and increasing productivity. Therefore, reforms to revise wage indexation, to deregulate

²²The Non Euro Members were: Bulgaria, Denmark, Latvia, Lithuania, Poland and Romania.

industries (especially public ones), to improve infrastructure and education system are promoted.

The sustainability of public finances should be strengthen by reforming the pension and the health care systems, it also imposed to include EU fiscal regulation of the SGP into national legislation. Nonetheless, the Euro+ pact lacked of real implementation by the signatory States, in fact, the great majority of the countries were not following its recommendations. In 2015 the research center of the EC proposed to integrate the pact as a part of European Semester process²³.

European Semester

The European Semester is part of the Europe 2020 strategy and it regulates the process of yearly economic policy coordination between Member States and European Institutions. The time-line in the following:

In January the EC presents the Annual Growth Survey

In May Member States sent Reform Programmes and Stability/Convergence Programmes to the EC

In June the EC publish the individual recommendations to Member States

Within one month Member States have to formally adopt EC recommendations

Throughout the year there is a continuous process of peer-review on compliance of the Members States to the recommendations of the European Commission, then in autumn each government present the draft budget to National Parliaments following its country specific procedure and legislation.

Six-Pack

The *Six-Pack* is a set of European laws to reform the Stability and Growth Pact. It contains five regulations and one directive and it came into force on December 2011. The Sixpack applies to all Member States, with several distinctions for Euro-Zone

²³See EPSC strategic notes, May 2015.

Members, mainly regarding financial sanctions in case of non-compliance. According to the SGP, Member States budgetary balance should converge toward the medium-term objective (MTO), which is country-specific. Moreover the government deficit must not exceed 3% of GDP and public debt must not exceed 60% of GDP. The Six-Pack aims to reinforce the so called corrective arm of the SGP, that is the Excessive Deficit Procedure (EDP). The second regulation indeed contains the procedures to achieve a faster and better implementation of the EDP to Member States that have breached either the deficit or the debt criterion.

It ensures a stricter application of the fiscal rules by defining what is a significant deviation from the MTO or what should be the adjustment path towards the country-specific Objective. Furthermore, the new regulation imposes financial sanctions for euro-area Member States in a gradual way and could eventually reach 0.5% of GDP. The six-pack introduces reverse qualified majority voting (RQMV) for most sanctions, therefore increasing their likelihood for euro-area Member States. In fact, RQMV implies that a recommendation or a proposal of the Commission is considered adopted in the Council unless a qualified majority of Member States votes against it.

Two-Pack

On November 2011, the European Commission proposed two additional regulations to further strengthen the financial surveillance of Member States. In particular, the novelties of the Two-Pack are:

- if a Member is not under EDP or financial assistance under the European Stability Mechanism, the additional requirement is that the government has to present a draft budget to the EC no later than October 15. Furthermore, the government has to wait the Commission's opinion before presented and voted in the National Parliament. However, the opinion of the Commission, even if negative, cannot directly prohibit the pass of the draft budget in the national legislative chambers.

- if a Member State is under EDP or financial assistance, the Two-Pack enhances its financial surveillance and monitoring. In particular, the status report on the actions undertaken to correct imbalances has to be published and submitted to the EC every 3 months.

Fiscal Compact

The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, commonly known as *Fiscal Compact*, is an intergovernmental agreement signed by all 17 Members of the Eurozone on May 2012. The TSCG works in parallel with the EU previous legislation, especially with the Six-Pack.

The Fiscal Compact aims at further strengthening the fiscal diligence of signatory States and it introduced four main novelties:

- the general budget deficit cannot overcome the 3% of GDP. Furthermore, the structural deficit, that is the general deficit accounted for the economic cycle, has to be lower than the 0.5% for countries with a debt burden over 60% and 1% for members with a debt burden under this threshold.
- countries with a debt exceeding 60% of GDP have to reduce annually the debt burden by $\frac{1}{20}$ of the difference between their actual debt and the 60% threshold.
- it reinforces the norm, already present in the Six-Pack, about the introduction of the balanced budget rule into national legislation, preferably at the constitutional level.
- a Member State can bring another Member to the Court of Justice if there is suspect of non-compliance of the introduction of debt-breaking rules into national law. The Court can fine the indicted Member up to 0.1% of GDP.

Title IV of the Treaty indicates measures to improve the coordination between Members to foster competitiveness, employment, fiscal and financial stability.

Questionario Università Cattolica

Gentile Onorevole,

il seguente questionario è parte di un progetto di ricerca sull'Unione Europea da parte dell'Università Cattolica del Sacro Cuore di Milano. Ringraziandola della partecipazione La avviso che le risposte sono completamente anonime e i dati rilevati saranno utilizzati esclusivamente ai fini di ricerca accademica.

Ci sono 38 domande all'interno di questa indagine.

Anagrafica

1 [] Sesso *

Scegli **solo una** delle seguenti:

- ☐ Femmina
- ☐ Maschio

2 [] Età *

Scegli **solo una** delle seguenti:

- ☐ 25-29
- ☐ 30-39
- ☐ 40-49
- ☐ 50-59
- ☐ 60 o più

3 [] Titolo di studio *

Scegli **solo una** delle seguenti:

- ☐ Licenza media
- ☐ Diploma
- ☐ Laurea
- ☐ Dottorato

4 [] Professione *

Scrivere la propria risposta qui:

5 [] Gruppo parlamentare *

Scegli **solo una** delle seguenti:

- ☐ Forza Italia-II Popolo della Libertà-Berlusconi Presidente
- ☐ Fratelli d'Italia-Alleanza Nazionale
- ☐ Grandi Autonomie e Libertà
- ☐ Lega Nord e Autonomie
- ☐ Movimento 5 Stelle
- ☐ Nuovo Centrodestra
- ☐ Partito Democratico
- ☐ Per l'Italia
- ☐ Per le Autonomie
- ☐ Scelta Civica per l'Italia
- ☐ Sinistra Ecologia e Libertà
- ☐ Misto

6 [] E' alla prima legislatura *

Scegli **solo una** delle seguenti:

- ☐ Sì
- ☐ No

7 [] Da quante legislature è in Parlamento *

Rispondere solo se le seguenti condizioni sono rispettate:

La risposta era 'No' Alla domanda '6 [q06]' (E' alla prima legislatura)

Scegli **solo una** delle seguenti:

- ☐ 1
- ☐ 2
- ☐ 3
- ☐ più di 3

8 []Ha ricoperto incarichi ministeriali ***Rispondere solo se le seguenti condizioni sono rispettate:**

La risposta era maggiore o uguale a '1' Alla domanda '7 [q07]' (Da quante legislature è in Parlamento)

Scegli **solo una** delle seguenti:

- ☐ Sottosegretario
- ☐ Viceministro
- ☐ Ministro
- ☐ Nessuna delle precedenti

9 []E' stato eletto o candidato al Parlamento Europeo? *Scegli **solo una** delle seguenti:

- ☐ Eletto
- ☐ Candidato
- ☐ Nessuna delle precedenti

10 []Da quanto tempo è iscritto al suo partito? *Scegli **solo una** delle seguenti:

- ☐ Meno di un anno
- ☐ 1-5 anni
- ☐ 5-10 anni
- ☐ più di 10 anni
- ☐ Non sono iscritto

11 []In termini politici si parla spesso di destra e di sinistra. In una scala da 1 a 10 quale numero rappresenta meglio la sua posizione? *

Scegliere la risposta appropriata per ciascun elemento:

Sinistra										Destra
1	2	3	4	5	6	7	8	9	10	
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

12 []Dove si colloca il suo partito? *

Scegliere la risposta appropriata per ciascun elemento:

	Sinistra									Destra
	1	2	3	4	5	6	7	8	9	10
Sinistra	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

13 []Quali sono i mezzi di informazione da lei più utilizzati? (scelga i 3 più importanti)

Tutte le risposte fornite devono essere diverse.

Selezionare 3 risposte

Numerare ciascun campo in ordine di preferenza da 1 a 9

Scegliere almeno 3 voci.

Non selezionare più di 3 voci.

- | | |
|----------------------|--------------------|
| <input type="text"/> | Quotidiani |
| <input type="text"/> | Quotidiani on-line |
| <input type="text"/> | Riviste |
| <input type="text"/> | Giornali stranieri |
| <input type="text"/> | Internet |
| <input type="text"/> | Televisione |
| <input type="text"/> | Radio |
| <input type="text"/> | Rassegna stampa |
| <input type="text"/> | Altro |

14 []Qual è il mezzo più utilizzato per i fatti riguardanti l'Unione Europea?

Tutte le risposte fornite devono essere diverse.

Selezionare al massimo una risposta

Numerare ciascun campo in ordine di preferenza da 1 a 9

Non selezionare più di 1 voci.

- | | |
|----------------------|--------------------|
| <input type="text"/> | Quotidiani |
| <input type="text"/> | Quotidiani on-line |
| <input type="text"/> | Riviste |
| <input type="text"/> | Giornali stranieri |
| <input type="text"/> | Internet |
| <input type="text"/> | Televisione |
| <input type="text"/> | Radio |
| <input type="text"/> | Rassegna stampa |
| <input type="text"/> | Altro |

15 []Ritiene che i media si occupino di Unione Europea, in modo: *

Scegli **solo una** delle seguenti:

- ☐ Esaustivo
- ☐ Sufficiente
- ☐ Non sufficiente
- ☐ Per nulla

Unione Europea

16 []E' favorevole alla partecipazione dell'Italia all'Unione Europea? *

Scegliere la risposta appropriata per ciascun elemento:

Per nulla
favorevole

1

☐

2

☐

3

☐

4

☐

5

☐

6

☐

7

☐

8

☐

9

☐

Assolutamente
favorevole 10

☐

17 []All'Unione Monetaria? *

Scegliere la risposta appropriata per ciascun elemento:

Per nulla
favorevole

1

☐

2

☐

3

☐

4

☐

5

☐

6

☐

7

☐

8

☐

9

☐

Assolutamente
favorevole 10

☐

18 []Ritiene che la sua posizione rispetto all'Unione Europea sia cambiata negli ultimi 5 anni, in modo: *

Scegli **solo una** delle seguenti:

- ☐ Più favorevole
- ☐ Meno favorevole
- ☐ Non è cambiata

19 [] Ritiene che le seguenti tematiche debbano essere affrontate a livello europeo o nazionale? *

Scegliere la risposta appropriata per ciascun elemento:

	1 Esclusivamente a livello Europeo	2	3	4	5	6 Esclusivamente a livello nazionale
Tassazione	☐	☐	☐	☐	☐	☐
Lavoro e disoccupazione	☐	☐	☐	☐	☐	☐
Investimenti della PA	☐	☐	☐	☐	☐	☐
Politiche di bilancio	☐	☐	☐	☐	☐	☐
Immigrazione	☐	☐	☐	☐	☐	☐
Politica monetaria	☐	☐	☐	☐	☐	☐
Scambi commerciali	☐	☐	☐	☐	☐	☐
Difesa	☐	☐	☐	☐	☐	☐
Salute	☐	☐	☐	☐	☐	☐
Ambiente	☐	☐	☐	☐	☐	☐

20 []

Indichi in ordine d'importanza i tre problemi più urgenti dell'Italia:

Scrivere la/le proprie risposta/e qui:

1	
2	
3	

21 [] A seguito del fiscal compact, gli Stati Membri firmatari sono stati obbligati ad inserire il criterio del pareggio di bilancio nella proprio legislazione a livello costituzionale. Lei è favorevole alla possibilità che la partecipazione ad accordi internazionali richieda agli Stati membri di modificare la propria Costituzione? *

Scegli **solo una** delle seguenti:

- ☐ Molto favorevole
- ☐ Favorevole
- ☐ Contrario
- ☐ Molto contrario

22 []E' favorevole alla modifica introdotta nell'articolo 81 della Costituzione? *Scegli **solo una** delle seguenti:

- ☐ Molto favorevole
- ☐ Favorevole
- ☐ Contrario
- ☐ Molto contrario

23 []In una scala da 1 a 10 ritiene che l'obiettivo del rapporto deficit/PIL inferiore al 3% sia: *

Scegliere la risposta appropriata per ciascun elemento:

Troppo restrittivo										Troppo ampio
1	2	3	4	5	6	7	8	9	10	
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

24 []In una scala da 1 a 10 ritiene che l'obiettivo del rapporto deficit strutturale/PIL inferiore allo 0,5% sia: *

Scegliere la risposta appropriata per ciascun elemento:

Troppo restrittivo										Troppo ampio
1	2	3	4	5	6	7	8	9	10	
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐

25 []Crede che la sanzione dello 0,2% del PIL per gli Stati Membri che non rispettano gli obiettivi di bilancio sia: *Scegli **solo una** delle seguenti:

- ☐ Eccessiva
- ☐ Corretta
- ☐ Troppo bassa
- ☐ Non dovrebbero esserci sanzioni
- ☐ Non so

26 []In una scala da 1 a 5 quanto pensa sia possibile per l'italia tenere fede agli obiettivi di bilancio? *

Scegliere la risposta appropriata per ciascun elemento:

Sicuramente
no 1

☐

2

☐

3

☐

4

☐

5

☐

Sicuramente
sì 6

☐**27 []Il *two pack* comporta che il bilancio dello Stato Membro sia presentato simultaneamente alla Commissione Europea che al Parlamento Nazionale, in quale misura è favorevole a questo procedimento? ***

Scegli **solo una** delle seguenti:

- ☐ Assolutamente sfavorevole
- ☐ Sfavorevole
- ☐ Favorevole
- ☐ Assolutamente favorevole

28 [E] favorevole alle seguenti affermazioni? *

Scegliere la risposta appropriata per ciascun elemento:

	Per nulla favorevole 1	2	3	4	5	Assolutamente favorevole 6
La Commissione Europea deve controllare i bilanci degli Stati Membri	☐	☐	☐	☐	☐	☐
Il Semestre Europeo è un procedimento fondamentale per la coesione dell'Unione Monetaria	☐	☐	☐	☐	☐	☐
Il pareggio di bilancio è un obiettivo fondamentale per far ripartire lo sviluppo	☐	☐	☐	☐	☐	☐
Le normative di bilancio UE sono troppo complesse	☐	☐	☐	☐	☐	☐

29 []E' favorevole alle seguenti affermazioni? *

Scegliere la risposta appropriata per ciascun elemento:

	Per nulla favorevole 1	2	3	4	5	Assolutamente favorevole 6
Gli Stati Membri dovrebbero osservare regole di bilancio differenti perchè affrontano esigenze differenti	☐	☐	☐	☐	☐	☐
Il Parlamento Europeo dovrebbe avere più poteri in materia di politiche di bilancio degli Stati Membri	☐	☐	☐	☐	☐	☐
E' corretto che la Commissione Europea sia un organo esclusivamente tecnico	☐	☐	☐	☐	☐	☐

30 []La Commissione Europea ha presentato delle raccomandazioni per le riforme che l'Italia deve affrontare nel futuro: in generale è favorevole a tali raccomandazioni? *Scegli **solo una** delle seguenti:

- ☐ Sì
- ☐ No

31 []Nello specifico in quale misura è favorevole alle seguenti analisi della Commissione? *

Scegliere la risposta appropriata per ciascun elemento:

	Per nulla favorevole 1	2	3	4	5	Assolutamente favorevole 6
La struttura del sistema fiscale è sbilanciata verso i fattori di produzione ed è distribuita in modo diseguale a causa dell'evasione fiscale	☐	☐	☐	☐	☐	☐
La spesa pubblica per la scuola è tra le più basse in Europa e questo indebolisce la capacità d'innovazione delle imprese italiane	☐	☐	☐	☐	☐	☐
Le debolezze nella P.A., come l'elevato livello di corruzione e i tempi lunghi della giustizia civile, continuano a creare uno sfavorevole ambiente per le imprese	☐	☐	☐	☐	☐	☐
La mancata crescita della produttività italiana non si è riflessa sui salari e ciò ha condotto ad una perdita di competitività del paese	☐	☐	☐	☐	☐	☐

32 []L'Italia è da poco uscita dal Procedimento di Deficit Eccessivo: è favorevole a questo strumento del Patto di Stabilità e di Crescita? *Scegli **solo una** delle seguenti:

- ☐ Molto favorevole
- ☐ Favorevole
- ☐ Contrario
- ☐ Molto contrario

33 []E' favorevole all'European Stability Mechanism, o "fondo salva-stati"? *Scegli **solo una** delle seguenti:

- ☐ Sì
- ☐ No

34 []Quale crede sia la probabilità che l'Italia debba ricorrere all'European Stability Mechanism nei prossimi anni? *

Scegliere la risposta appropriata per ciascun elemento:

Sicuramente
no 1

2

3

4

5

Sicuramente
sì 6☐☐☐☐☐☐**35 []Crede che il contributo finanziario all'European Stability Mechanism da parte dell'Italia sia stato: ***Scegli **solo una** delle seguenti:

- ☐ Molto elevato
- ☐ Elevato
- ☐ Basso
- ☐ Molto basso
- ☐ Non so

36 []Quali ritiene che siano gli obiettivi più importanti da raggiungere durante il semestre italiano di Presidenza dell'Unione Europea?

Scrivere la/le proprie risposta/e qui:

37 []Pensa che l'ingresso nell'Unione Europea della Romania e della Bulgaria sia un fatto: *

Scegli **solo una** delle seguenti:

- ☐ Positivo
- ☐ Negativo

38 []Rispetto all'eventuale ingresso nell'UE della Turchia si ritiene? *

Scegli **solo una** delle seguenti:

- ☐ Molto favorevole
- ☐ Favorevole
- ☐ Contrario
- ☐ Molto contrario
- ☐ Nè contrario o favorevole